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ABSTRACT

The statement of state policy toward independent degree-granting colleges and universities in California addresses these issues: independent institutions as a public resource (enrollment, degrees awarded, levels of support, tuition and fees, government revenues, program diversity, and geographic location); state policy toward independent institutions through student financial aid; financial conditions of independent California colleges; enrollment predictions; special concerns about public policy (educational and employment opportunity, information reporting requirements, disclosure by public officials and trustees, low public college tuition, expansion of public institution programs, and environmental concerns); alternatives in state assistance to independent institutions; and recommendations for state policy toward independent institutions. Financial and statistical data are included. (MSE)

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June 1978

State Policy Toward Independent Postsecondary Institutions

HE010241

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

California Postsecondary
Education Commission

Resolution 17-78

Approving
State Policy Toward Independent Postsecondary Institutions

WHEREAS, The Legislature, through Assembly Bill 622, (Chapter 462, Statutes of 1975), directed the California Postsecondary Education Commission to conduct a comprehensive study of independent colleges and universities, which would assess

> . . . the goals, objectives, and priorities of State aid to independent colleges, . . . the contributions made to postsecondary education and to California by independent colleges, . . . the financial condition of independent colleges, . . . [and] policies which guide the delivery of State assistance . . ..

and,

WHEREAS, The Postsecondary Education Commission is required, through Assembly Bill 770 (Chapter 1187, Statutes of 1973), to report annually to the Legislature and Governor regarding

> . . . conditions of independent institutions, their enrollment and application figures, the number of student spaces available, and . . . recommendations concerning State policies and programs having a significant impact on independent institutions.

and,

WHEREAS, The Commission report prepared in response to this directive concludes that a vital, healthy independent sector is a necessity, not a luxury, in California postsecondary education, as the independent colleges and universities make many important contributions and serve important public purposes, and

WHEREAS, The report further concludes that the State student-assistance programs, particularly the scholarship program, are of vital importance in the financial stability of the independent sector, and

WHEREAS, The report finally concludes that, while there is some evidence of weakness and potential deterioration, the majority of California's independent colleges and universities seem to be in relatively stable financial health, with revenues increasing faster than expenditures; now, therefore, be it

RESOLVED, That the California Postsecondary Education Commission adopts the report, State Policy Toward Independent Postsecondary Institutions, and the recommendations contained therein, and be it further

RESOLVED, That the report be transmitted formally to the Legislature and the Governor for their consideration.

Adopted
June 12, 1978

Commission Report 78-3

STATE POLICY TOWARD
INDEPENDENT POSTSECONDARY INSTITUTIONS

June 1978

Prepared by the
CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

ACKNOWLEDGEMENTS

Many individuals made important contributions in the preparation of this initial Commission assessment of the financial and educational health of the independent sector of postsecondary education in California. Donald Merrifield, John O'Neil, Richard C. Gilman, Jerome Walker and Arthur Marmaduke reviewed each of the several drafts, offering valuable criticism and comment. Important technical assistance was provided by John Minter, Dean Buchanan, and Chris Perkey. Jacquie Swaback and Melvyn C. Jarrett contributed research expertise. Bruce D. Hamlett, Project Director, and Marjorie Dickinson are to be commended for their work in preparing this report.

Patrick M. Callan
Director

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CHAPTER 1

INTRODUCTION

California has an extensive network of independent degree-granting colleges and universities. While State policy has supported and encouraged independent postsecondary education, this policy has been developed on an incremental and piecemeal basis. Given the perceived limitations on the financial resources available for financing postsecondary education, and the developing stabilization of full-time student enrollments in California colleges and universities, it is essential for the Legislature and the Governor to agree on a clear strategy concerning the State's objectives and policies toward independent postsecondary education.

In recognition of the need for concise policy guidelines, the Legislature requested the Commission, through Assembly Bill 622 1/, to conduct a comprehensive study of independent colleges and universities, and to include the following analysis:

(a) Determine the amount of past and projected annual levels of state aid to independent colleges and universities;

(b) Determine the goals, objectives, and priorities of state aid to independent colleges and universities;

(c) Recommend policies which might guide the delivery of state assistance;

(d) Develop criteria for determining the appropriate level of assistance;

(e) Develop criteria for assessing the financial condition of independent colleges and universities;

(f) Develop a data base related to independent colleges and universities;

(g) Recommend possible modifications in existing programs that currently provide aid to independent institutions;

(h) Assess the contributions made to postsecondary education and to California by independent colleges and universities in California; and

(i) Assess the degree to which state aid will in the future result in a net savings to the state by diverting students to independent colleges and universities.

This Legislation supplements a function and responsibility assigned to the Commission by Assembly Bill 770

> to report annually to the Legislature and the Governor regarding conditions of independent institutions, their enrollment and application figures, the number of student spaces available, and the respective cost of utilizing those spaces as compared to providing additional public spaces. Such reports shall include recommendations concerning State policies and programs having a significant impact on independent institutions. 2/

On the basis of its resultant study, the Commission offers the following conclusions:

(1) The independent colleges and universities in California make many important contributions to postsecondary education and serve important public purposes in the State. These contributions and purposes include: independence of governance; constructive competition with the public institutions; educational opportunities for ethnic minorities and low-income students; training for lawyers, doctors, dentists, and other health care personnel; diversity of postsecondary alternatives; contributions to the economic and cultural vitality of their communities, and a cost savings to the State and the California taxpayer.

(2) The State's student-assistance programs, particularly its scholarship program, are of vital importance to the financial stability of the independent sector. These programs have been successful in achieving the dual objectives of (1) providing the necessary financial assistance so that capable students with demonstrated need have the ability to choose the most appropriate postsecondary educational opportunity and (2) providing assistance to individuals who desire to enroll in an independent college or university. Since many student aid recipients have chosen to attend an independent institution, these programs have also helped to maintain the financial strength of the independent segment of postsecondary education. However, a potential problem area in the State student assistance programs is the increasing difficulty that students with parental net incomes of between $12,000 and $15,000 are experiencing in utilizing financial assistance to attend an independent institution.

(3) While there is some evidence of institutional weakness and potential deterioration, the majority of California's independent colleges and universities seem to be in relatively stable financial health, with revenues increasing faster than expenditures. This financial health, which is partially the result of growing State and federal programs of student aid, covers the range of independent institutions, from the large, comprehensive university to the small, specialized college. Institutions with a weak financial status are found in almost every group, although they are most prevalent among small Liberal Arts Colleges with enrollments under 1,000, Liberal Arts Colleges with selective admission policies, and Bible Colleges. Moreover, some of the institutions which demonstrate relatively stable financial health are balancing their annual budgets by cutting or deferring expenditures necessary to maintain quality programs, faculty, and physical plant.

Although some institutions have experienced a significant drop in enrollments, the independent sector, as a whole, has increased enrollment levels during the past seven years. The reduction in enrollment experienced in 1971 and 1972 was recovered through increased enrollments in the following four years. The Liberal Arts Colleges with selective admission policies, the Specialized Institutions, and the Bible Colleges and Schools of Theology experienced reductions in total enrollment during the seven-year period considered, as well as a major drop in the number of applications for admission received from prospective new students.

While there is little evidence of a major retrenchment within the independent sector in faculty staffing, there is considerable evidence of tight budgets and steady financial erosion, as indicated by the restraint in faculty salary increases and by the cutback in other nonacademic staff. To the extent that inflation and the resulting financial erosion continues, the quality of education within the independent sector can be expected to deteriorate. This trend is particularly true for the small Liberal Arts Colleges with enrollments under 1,000. Faculty salaries within the independent sector (as well as the public sector) have not kept pace with the rise in the Consumer Price Index.

(4) During the next ten years the total enrollment level in postsecondary education can be expected to increase, although a larger proportion of these students will attend on a part-time basis. Consequently, full-time-equivalent (FTE) enrollments will probably decrease in many public and independent institutions. While the size of this decrease will

vary from campus to campus (and many campuses will experience either an increase or enrollment stability), it can be expected that within the next ten years some campuses within each of the segments will experience a significant reduction in the number of students and/or the need for faculty layoffs caused by a decline in FTE enrollments. While it can be expected that the competition for students will increase among independent and public institutions, there is no evidence to indicate the independent sector will be unable to compete successfully as long as the federal and State governments continue to maintain extensive student assistance programs.

(5) At the present time, the financial condition of the independent institutions does not call for the examination of the appropriateness of direct State grants. Because the State and federal student-assistance programs have provided a significant number of students the opportunity to attend independent institutions, there is no currently demonstrated need for new policy initiatives to provide State financial assistance to the independent sector. Under the current provisions of the California Constitution, it has not been the policy of the State to provide direct assistance to financially weak independent colleges and universities. Moreover, there is no currently demonstrated need to consider the revision of the constitutional prohibition of direct State grants to independent postsecondary institutions.

(6) A vital, healthy independent sector is a necessity, not a luxury, in California postsecondary education. State policy decisions about student-assistance programs should continue to reflect an appreciation of the many non-cost-related benefits produced by the independent colleges, and enjoyed by the California citizenry. However, an important public policy issue in this area is the amount the State should be willing to pay in order to achieve these benefits.

During the current period of stable enrollments and available classroom space in public postsecondary institutions, there is a need to consider carefully the economic cost to the State of providing students financial assistance to attend independent institutions. Such consideration is inhibited by the absence of accurate data on the costs of instruction within the public institutions, as well as by the lack of agreement on the appropriate method(s) to use in comparing educational costs in the public segments with average scholarship awards utilized by students attending independent institutions.

Despite the difficulty of presenting an accurate analysis of the degree to which State student assistance will in the future result in a net savings or loss to the State by providing financially needy students the opportunity to attend an independent college or university, the following conclusions are evident:

a) The average State subsidy provided to students choosing to attend an independent institution has been a reasonable and acceptable cost to the State. The educational benefits provided by the independent sector have justified the financial investment on the part of the State.

b) Compared to the types and amounts of financial assistance provided to independent institutions by other state governments, California provides a moderate amount of financial aid per student enrolled at independent colleges and universities.

(7) State policy must anticipate and be sensitive to potential problem areas for the independent (as well as the public) colleges and universities in California, particularly when these problem areas are caused by changes in State policy toward other issues. Many complex aspects of public policy indirectly affect the financial and educational health of the independent sector. Among the issues of particular importance are: (1) the fiscal implications of current public policy to provide increased educational and employment opportunities for ethnic minorities, women, and persons with disabilities; (2) the fiscal implications of current public policy to develop detailed information about various aspects of the operation of institutions in order to improve the coordination of the several segments of postsecondary education; and (3) the fiscal implications of expanding off-campus degree programs by both independent and public institutions, as well as the expanding State financial support of these programs.

CHAPTER 2

INDEPENDENT INSTITUTIONS AS A PUBLIC RESOURCE

The total network of postsecondary education in California provides the citizenry a wide range of opportunities. Independent institutions, as a part of this network, are a public resource, because they provide:

(1) access to postsecondary education;

(2) choices among institutions for students;

(3) diversity within postsecondary education;

(4) financial savings to the State and therefore to the taxpayer; and

(5) economic stimulus to the communities in which they are located.

General Background

There are approximately 260 independent degree-granting colleges and universities in California. 3/ These institutions are authorized to operate because they meet at least one of three criteria:

(1) Authorization by virtue of being acccredited by a nationally recognized accrediting agency or organization.

(2) Authorization by a formal approval process conducted by the Office of Private Postsecondary Education, California Department of Education.

(3) Authorization on the basis of institutional ownership of $50,000 in real and personal property devoted exclusively to educational purposes, and through submission of a "full disclosure" statement to the Superintendent of Public Instruction. 4/

During the past five years, approximately fifty new independent institutions were authorized to grant degrees in California. Most of these new institutions are currently nonaccredited, non-State approved, and operate under the third criteria listed above. Given the absence of comprehensive data providing the names of all independent institutions operating in 1972, it is not possible to determine with certainty if there has been a net increase in the number of independent institutions in California in recent years.

Available records indicate that approximately forty-five independent institutions closed since July 1972, and most of these were small, nonaccredited, non-State approved. The rate and type of school closure during the past five years indicates general stability among accredited and State-approved degree-granting institutions, with a slight increase in their number. Four independent colleges have merged with other independent colleges since 1972. 5/ Available data indicate that, while a large number of small independent colleges have closed since 1972, a greater number have apparently opened in the same period, and there has consequently been a net increase in the number of independent institutions. 6/

Enrollment

Total enrollment (headcount) in the independent colleges and universities in Fall 1976 was 176,413 students. Approximately 85 percent of these students attended institutions accredited by the Western Association of Schools and Colleges (WASC). The twenty largest independent colleges account for approximately 75 percent of the enrollment in the independent sector. 7/ During the past fifteen years the independent institutions have enrolled approximately 10 percent of the students attending postsecondary, degree-granting institutions in California, and approximately 25 percent of those attending four-year, degree-granting institutions. (See Tables 1 and 2.) These percentage enrollment figures have remained basically constant each year since 1962. In 1971, and again in 1974, there was a drop in the percentage enrollment in the independent institutions. However, during the past two years the independents have maintained basically the same percentage enrollment as existed in 1962.

Degrees Awarded

During the past five years, the independent institutions have conferred approximately 21 percent of the baccalaureate degrees, 43 percent of the master's and doctoral degrees, and 72 percent of the professional degrees granted by California postsecondary institutions. (See Table 3.) Moreover, during each of the past five years the independent institutions have granted an increasingly larger proportion of graduate degrees awarded. While there has been a slight decrease in the proportion of students enrolled in independent institutions, compared to public two- and four-year institutions, there has been an increase in the proportion of degrees awarded by independent institutions.

Table 1

DISTRIBUTION OF TOTAL ENROLLMENT IN
DEGREE-GRANTING INSTITUTIONS, FALL 1962 TO FALL 1976
(Headcount Enrollment)

Year	Community Colleges Enrollment	Community Colleges Percent	State University and Colleges Enrollment	State University and Colleges Percent	University of California Enrollment	University of California Percent	Independent Institutions Enrollment	Independent Institutions Percent	Total Number
1962	336,704	57.8%	118,057	20.3%	58,616	10.0%	69,168	11.9%	582,545
1963	368,008	57.7	133,108	20.8	64,504	10.1	72,590	11.4	638,210
1964	411,338	58.2	148,956	21.0	71,267	10.1	75,407	10.7	706,968
1965	459,400	59.4	154,887	20.0	79,437	10.3	80,107	10.3	773,831
1966	487,458	58.9	169,520	20.5	86,406	10.5	83,426	10.1	826,810
1967	521,695	58.4	185,601	20.8	95,376	10.7	90,797	10.1	893,469
1968	568,147	58.2	211,653	21.7	98,780	10.1	97,141	10.0	975,721
1969	602,917	57.5	224,897	21.5	106,035	10.1	114,583	10.9	1,048,432
1970	651,997	58.2	241,559	21.6	109,033	9.7	117,891	10.5	1,120,480
1971	694,790	59.6	262,081	22.5	108,033	9.3	100,187	8.6	1,165,091
1972	710,893	58.1	276,737	22.6	110,578	9.0	125,575	10.3	1,223,783
1973	851,311	61.3	286,633	20.7	118,854	8.6	130,733	9.4	1,387,531
1974	958,530	64.2	291,542	19.5	122,597	8.2	120,201	8.1	1,492,870
1975	1,101,548	64.2	310,891	18.1	128,486	7.5	175,085	10.2	1,716,010
1976	1,262,478	67.5	303,734	16.2	128,648	6.9	176,413	9.4	1,871,273

NOTE: Total enrollment figures for the independent sector should be used with caution, as the number of institutions reporting each year varies (see footnotes for number of institutions reporting).

1970: Total and Full-time Enrollment: California Institutions of Higher Education 1970, California Department of Finance (82 reported)
1971: Total and Full-time Enrollment: California Institutions of Higher Education 1971, California Department of Finance (58 reported)
1972: Total and Full-time Enrollment: California Institutions of Higher Education 1972, California Department of Finance (92 reported)
1973: Total and Full-time Enrollment: California Institutions of Higher Education 1973, California Department of Finance (102 reported)
1974: Total and Full-time Enrollment: California Institutions of Higher Education 1974, California Department of Finance (100 reported)
1975: Total and Full-time Enrollment: California Institutions of Higher Education 1975, California Department of Finance (167 reported)
1976: Total and Full-time Enrollment: California Institutions of Higher Education 1976, California Department of Finance (164 reported)

Table 2

DISTRIBUTION OF TOTAL ENROLLMENT IN FOUR-YEAR INSTITUTIONS, FALL 1962 TO FALL 1976

Year	University of California		State University and Colleges		Independent Institutions		Total Number
	Enrollment	Percent	Enrollment	Percent	Enrollment	Percent	
Fall 1962	58,616	23.8%	118,057	48.0%	69,168	28.2%	245,841
Fall 1963	64,504	23.9	133,108	49.2	72,590	26.9	270,202
Fall 1964	71,267	24.1	148,956	50.4	75,407	25.5	295,630
Fall 1965	79,437	25.2	154,887	49.3	80,107	25.5	314,431
Fall 1966	86,406	25.5	169,520	49.9	83,426	24.6	339,352
Fall 1967	95,376	25.7	185,601	49.9	90,797	24.4	371,774
Fall 1968	98,780	24.3	211,653	51.9	97,141	23.8	407,574
Fall 1969	106,035	23.8	224,897	50.5	114,583	25.7	445,515
Fall 1970	109,033	23.3	241,559	51.5	117,891	25.2	468,483
Fall 1971	108,033	23.0	262,081	55.7	100,187	21.3	470,301
Fall 1972	110,578	21.6	276,737	53.9	125,575	24.5	512,890
Fall 1973	118,854	22.2	286,633	53.4	130,733	24.4	536,220
Fall 1974	122,597	22.9	291,542	54.6	120,201	22.5	534,340
Fall 1975	128,486	20.9	310,891	50.6	175,085	28.5	614,462
Fall 1976	128,648	21.1	303,734	49.9	176,413	28.9	608,795

Source: For the years 1962-1968, The Challenge of Achievement, Joint Committee on Higher Education (1969), p. 31. For the years 1969-1976, annual report on Total and Full-time Enrollment California Institutions of Higher Education, Department of Finance, Sacramento, California.

See footnote on previous page concerning enrollment levels in the independent sector.

Table 3

DEGREES CONFERRED

1971-72 - 1975-76

	CSUC		UC		Independent Institutions		Total
	Number	Percent	Number	Percent	Number	Percent	Number
Bachelor's Degree							
1971-72	43,178	56.5%	18,862	24.7%	14,415	18.8%	76,455
1972-73	46,699	56.5	19,370	23.4	16,649	20.1	82,718
1973-74	48,018	55.4	20,061	23.2	18,555	21.4	86,634
1974-75	44,818	53.7	20,277	24.3	18,333	22.0	83,428
1975-76	44,598	53.3	20,954	25.1	18,085	21.6	83,637
TOTAL	227,311	55.1%	99,524	24.1%	86,037	20.8%	412,872
Master's Degree							
1971-72	8,183	38.2%	5,372	25.0%	7,898	36.8%	21,453
1972-73	8,284	36.3	5,540	24.2	9,024	39.5	22,848
1973-74	8,708	35.8	5,380	22.1	10,248	42.1	24,336
1974-75	9,469	34.2	5,524	20.0	12,650	45.8	27,643
1975-76	10,087	33.0	6,009	19.6	14,505	47.4	30,601
TOTAL	44,731	35.3%	27,825	21.9%	54,325	42.8%	126,881
Doctorate Degrees							
1971-72	7	0.2%	2,070	60.4%	1,351	39.4%	3,428
1972-73	7	0.2	2,168	59.6	1,461	40.2	3,636
1973-74	6	0.2	2,088	54.9	1,706	44.9	3,800
1974-75	6	0.2	2,088	54.1	1,695	45.7	3,709
1975-76	7	0.2	2,068	54.0	1,754	45.8	3,829
TOTAL	33	0.2%	10,402	56.5%	7,967	43.3%	18,402
	Number	Percent	Number	Percent	Number	Percent	Number
Professional Degrees							
1971-72			1,506	36.9%	2,571	63.1%	4,077
1972-73			1,516		n/a		n/a
1973-74			1,554	28.1	3,978	71.9	5,532
1974-75			1,597	26.9	4,338	73.1	5,935
1975-76			1,681	22.8	5,680	77.2	7,361
TOTAL				27.7%		72.3%	

Ethnic Minority Enrollment

The independent institutions provide educational opportunities for a significant number of Chicano, Black, Native American, and Asian-American undergraduates. In Fall 1976, undergraduate enrollment in the independent sector included approximately 6,000 Chicano, 6,500 Black, 6,000 Asian-American and 500 Native-American students. 8/ The independent institutions maintain a higher percentage enrollment of Black undergraduate students than does either the University of California or the California State University and Colleges. With respect to Chicano undergraduates, the independent institutions maintain a higher percentage enrollment than the University of California and a lower percentage enrollment than the California State University and Colleges. 9/

Table 4

MINORITY ENROLLMENT IN
INDEPENDENT INSTITUTIONS
FALL 1976
UNDERGRADUATE STUDENTS

	Black	Native American	Asian American	Chicano	White	Total Domestic Students
Doctoral Granting Universities	7.9%	.8%	11.3%	7.5%	72.5%	20,426
Comprehensive Universities and Colleges	7.3	.7	7.3	7.5	77.3	23,078
Liberal Arts Colleges I	6.7	.4	5.7	6.8	80.5	9,743
Liberal Arts Colleges II	4.5	.4	2.1	4.5	88.5	12,896
Liberal Arts Colleges III	7.2	1.0	3.2	7.1	81.6	4,650
Specialized Institutions	10.0	.7	6.3	6.9	76.0	12,673
New, Non-traditional Institutions	35.8	.4	2.2	4.2	57.5	456
Bible Colleges and Schools of Theology	3.9	.4	1.8	6.0	88.0	4,505
Law Schools (non-accredited)	4.1	.4	1.9	3.7	89.9	268
ALL INDEPENDENT INSTITUTIONS	7.3	.6	6.6	6.8	78.7	88,695
UNIVERSITY OF CALIFORNIA	4.1	.5	9.6	5.3	77.8	89,899
STATE UNIVERSITY AND COLLEGES	7.1	1.3	6.5	7.7	75.1	228,221

The independent institutions also provide significant opportunities for graduate education for ethnic minorities. In Fall 1976, graduate enrollment in the independent sector included approximately 1,600 Chicano, 2,500 Black, 2,200 Asian-American, and 250 Native-American students. The independent institutions maintain a higher percentage enrollment of Black graduate students and a lower percentage enrollment of Chicano graduate students than does the University of California. Compared to the California State University and Colleges, the independent institutions maintain the same percentage enrollment of Black graduate students and a lower percentage enrollment of Chicano graduate students.

Table 5

MINORITY ENROLLMENT IN
INDEPENDENT INSTITUTIONS
FALL 1976
GRADUATE STUDENTS

	Black	Native American	Asian American	Chicano	White	Total Domestic Students
Doctoral Granting Universities	4.8%	.7%	6.4%	3.5%	84.7%	16,710
Comprehensive Universities and Colleges	8.7	.4	5.7	4.5	80.8	10,494
Liberal Arts Colleges I	4.0	.7	2.4	2.9	89.9	820
Liberal Arts Colleges II	3.7	.2	2.4	3.7	90.1	3,291
Liberal Arts Colleges III	5.1	.3	3.2	5.5	85.9	1,137
Specialized Institutions	3.5	.4	3.4	2.0	90.8	7,857
New, Non-traditional Institutions	3.9	0	1.3	2.9	91.9	454
Bible Colleges and Schools of Theology	2.5	.5	1.1	.9	95.0	1,323
Law Schools (non-accredited)	2.7	.6	1.5	3.1	92.2	6,450
ALL INDEPENDENT INSTITUTIONS	5.0	.5	4.5	3.3	86.7	48,536
UNIVERSITY OF CALIFORNIA	4.4	.6	5.5	5.2	81.0	33,635
STATE UNIVERSITY AND COLLEGES	5.2	1.2	6.6	5.6	79.2	67,890

Levels of Support

Independent institutions expended approximately $650 million in 1975 for educational services. 10/ For each FTE student enrolled, the independent sector expended an average of $5,744 for educational and general services, with $2,264 of that total going for instruction. 11/ There is considerable range within the independent sector in expenditures per FTE student. The Doctoral Granting Universities, with their larger resource base, expend considerably larger amounts for instruction and academic support. The Liberal Arts Colleges I expend the most per FTE student for student services, and rank behind the Doctoral Granting Universities in other areas of expenditure.

Table 6

LEVELS OF SUPPORT IN INDEPENDENT INSTITUTIONS
1974 - 1975
RESOURCE ALLOCATION PER FTE STUDENT
(Current Dollars in 000s)

	Instruction	Expenditures for Academic Support	Student Services	Educational and General Services
Doctoral Granting Universities	$4,418	$820	$361	$11,368
Comprehensive Universities and Colleges	1,478	346	177	3,650
Liberal Arts Colleges I	1,825	406	471	4,619
Liberal Arts Colleges II	1,389	177	231	3,238
Liberal Arts Colleges III	1,246	220	276	3,246
Specialized Institutions	1,035	157	136	2,295
New, Non-traditional Institutions	822	220	166	1,937
Bible Colleges and Schools of Theology; Law Schools (non-accredited)	1,154	135	185	2,885
All Independent Institutions	2,264	434	266	5,744

During 1974-75 academic year, California's independent institutions received and utilized $74.3 million in gifts from private sources for the direct support of postsecondary education. The Doctoral Granting Universities received approximately 50 percent of this total, while the Comprehensive Universities and Colleges received almost 25 percent.

Table 7

PRIVATE GIFTS APPLIED IN
INDEPENDENT INSTITUTIONS
1974 - 1975
(Current Dollars in 000s)

PRIVATE GIFTS APPLIED IN
INDEPENDENT INSTITUTIONS
1974 - 1975
(Current Dollars in 000s)

	Private Gifts Received and Applied	Percent of Total Gifts Received by Independent Institutions
Doctoral Granting Universities	$36,410	49.0%
Comprehensive Universities and Colleges	17,050	23.0
Liberal Arts Colleges I	7,772	10.5
Liberal Arts Colleges II	7,244	9.7
Liberal Arts Colleges III	2,658	3.6
Specialized Institutions	1,652	2.2
New, Non-traditional Institutions	376	.5
Bible Colleges and Schools of Theology; Law Schools (non-accredited)	1,129	1.5
Total	$74,291	100.0%

Tuition and Fees

Tuition charges at independent institutions have increased dramatically during the past six years and, as a result, the "tuition gap" between public and independent institutions has almost doubled during that time period. To illustrate, tuition at Stanford University was $2,400 in Fall 1970, while in Fall 1976 it was $4,275. In contrast, tuition and fees at the University of California in Berkeley were $480 in Fall 1970 and $638 in Fall 1976.

Within the independent sector, the rate of tuition increase has varied among the types of institutions. (See Table 8.) The Comprehensive Universities and Colleges and the Doctoral Granting Universities have increased tuition by over 80 percent since 1970. The Liberal Arts Colleges and the Specialized Institutions have raised their tuition somewhat more slowly, from less than 50 percent to over 70 percent. In almost all cases, however, the independent institutions have increased their tuition charges twice as rapidly as the public institutions during the same time period.

Table 8

RATE OF TUITION/FEE CHANGE, 1970-1976
(Index Number: 1970 = 100)

	1970	1972	1974	1976
Independent Institutions				
Doctoral Granting Univ.	100	126	150	183
Comprehensive Univ. & Col.	100	137	153	189
Liberal Arts Colleges I	100	125	141	172
Liberal Arts Colleges II	100	117	132	158
Liberal Arts Colleges III	100	118	136	142
Specialized Institutions	100	133	174	162
University of California	100	129	132	133
State Universities & Colleges	100	109	125	131

As noted above, the tuition gap between public and independent institutions has increased dramatically since 1970. 12/ The tuition gap between all independent institutions and the University of California, has increased from $1,267 in 1970 to $2,435 in 1976. The tuition gap between all independent institutions and the California State University and Colleges has increased from $1,611 to $2,895. More specifically, the tuition gap between independent Doctoral Granting Universities and the University of California, was $3,140 in

Fall 1976. The tuition gap between Liberal Arts Colleges, with selective admissions standards, and the University of California, was $2,787 in Fall 1976. These data are summarized in the following table:

Table 9

TUITION/FEE GAP 1970-1976
(Enrollment Weighted Averages)

	1970	1972	1974	1976
All Independent Institutions compared to the University of California	$1,267	$1,597	$1,745	$2,435
All Independent Institutions compared to State University and Colleges	1,611	2,071	2,210	2,895
Doctoral Granting Universities compared to the University of California	1,581	1,983	2,453	3,140
Comprehensive Universities and Colleges compared to State University and Colleges	1,460	2,044	2,274	2,848
Liberal Arts Colleges (with selective admissions) compared to the University of California	1,506	1,860	2,167	2,787
Liberal Arts Colleges (enrollment over 1,000) compared to State University and Colleges	1,423	1,672	1,894	2,283

Revenues from Federal and State Governments

In 1975, the independent institutions received approximately $158.4 million from the federal government. This source provided 18 percent of the total revenues received by the independent sector. It should be noted, however, that 90 percent of these federal funds ($143.6 million) was received by the Doctoral Granting Universities, who depend on the federal government for approximately 30 percent of their total revenues. Most of the funding received by the Doctoral Granting Universities is from federally supported research grants.

Excluding the Doctoral Granting Universities, the independent institutions, on the average, receive approximately 4 to 5 percent of their revenues through federal funds. These funds, utilized by students attending independent institutions, is available through the several federal student-assistance programs. 13/

Students attending independent institutions in 1975 received approximately $41 million from the State in the form of student-assistance grants. 14/ This source provided approximately 5 percent of the total revenues received by the independent sector. It should be noted that for each dollar received through the federal and State student-assistance programs, the independent institutions spend approximately eight dollars for educational services through funding derived from nonpublic sources.

Program Diversity

The independent institutions provide considerable diversity in terms of postsecondary alternatives available to students in California. This diversity results from differences in curriculum emphasis, teaching methods, size of student body, specialized programs, and quality of instruction. A recent review of existing postsecondary alternatives, prepared for the Legislature, concluded that the independent "colleges are extraordinarily diverse and many of them represent substantial departures from conventional postsecondary educational practices." 15/

Many independent colleges offer academic programs in areas which are not duplicated by the public sector. There are approximately sixty independent, degree-granting institutions in California which offer academic training and degrees in religion and theology. Independent colleges offer training in chiropractic medicine, with the Los Angeles College of Chiropractic awarding the degree of Doctor of Chiropractic Medicine.

The independent sector also offers considerable diversity in academic programs. Many institutions have specialized programs in business and management, education, fine and applied arts, psychology, law, and theology. 16/

There is considerable variety in the admissions requirements for students attending independent institutions. Some of the colleges are highly selective, enrolling only students with outstanding high school academic backgrounds. As a consequence, in general, entering first-year students at institutions such as Stanford University, California Institute of Technology, and the Claremont Colleges, earn average scores on the Scholastic Aptitude Test which are considerably higher than those of entering first-year students at

the University of California. The quality and difficulty of the academic program vary considerably among the independent institutions, and consequently students have a large range of choice.

Independent institutions also offer educational programs with either all-male or all-female student bodies. Deep Springs College near Bishop represents a two-year men's institution with high academic standards. Scripps College in Claremont is a women's institution, emphasizing high quality academic training in the humanities.

Most of the independent colleges offer a relatively small academic community, with enrollments under 1,000 students. Students are thereby given the opportunity to select from a range of alternatives: (1) an extremely small school, with an intimate atmosphere and with a low faculty-student ratio; (2) a small-size institution with enrollment between 600-1,000 students; (3) a medium-size institution with enrollment between 1,000-2,000 students, or (4) a comprehensive university with a diverse cultural, social, and research orientation. At one end of the scale are Deep Springs College near Bishop and Common College in Woodside, each with an enrollment of approximately twenty students. The University of Southern California and Stanford stand at the other end of the scale, with annual enrollments of over 10,000 students.

Recent research on the impact of different college environments on students has concluded that those attending small, residential, independent colleges experience more positive changes in values and attitudes than do students attending large public institutions. A national study concluded:

> Private institutions seem to foster greater student change than public institutions in almost all areas. In addition, students become much more involved both academically and nonacademically in private colleges and are more likely to implement career plans. Finally, students at private institutions are more satisfied with the quality of their instruction and with their relationships with faculty. The only areas where public institutions provide greater satisfaction are the variety of courses offered and the emphasis on social life. 17/

Similar conclusions were derived from a study of twelve colleges and universities in California, which found that

- over a four-year period, students at public institutions become less tolerant of the civil liberties of others and feel less politically effective, while students at independent colleges become slightly more tolerant and feel more politically effective;

- students at small independent institutions tend to become less dogmatic while they are in college, while students at large universities tend to become increasingly dogmatic;

- the effect of college on perceived self development is less pronounced for students at public institutions than for students at independent institutions. 18/

While these conclusions are clearly tentative, the two studies do suggest that the diverse learning environments provided by the independent colleges offer important educational opportunities for students which in some respect are not duplicated by public institutions.

Geographic Location

California's independent institutions are dispersed in twenty-three different counties. While over 100 of these institutions are located within Los Angeles County, independent institutions are also located in nine counties in which there are no public institutions awarding the baccalaureate degree. 19/ The geographic location of the independent institutions by county is as follows:

County	Number of Independent Institutions
Alameda	22
Contra Costa	2
Fresno	9
Inyo	1
Los Angeles	104
Marin	4
Mendocino	1
Monterey	4
Napa	1
Orange	21
Riverside	3
Sacramento	7
San Bernardino	5
San Diego	20
San Francisco	24
San Joaquin	3
San Mateo	10
Santa Barbara	5
Santa Clara	10
Santa Cruz	2
Sonoma	1
Ventura	4
Yolo	1

The dispersion of the independent institutions throughout California complements the dispersion of the Community Colleges and the public four-year institutions in helping to serve the educational needs of the citizenry.

Summary of Contributions

The foregoing discussion indicates that the independent institutions in California make several contributions as a public resource. These contributions can be summarized under the following categories:

1. Independent institutions provide opportunities for postsecondary education for qualified California citizens. During the past year, more than 176,000 students participated in postsecondary education at an independent institution. As a result, during the past five years more than 86,000 students have received bachelor's degrees, more than 40,000 have received master's degrees, and almost 8,000 have received doctoral degrees from independent colleges and universities. During the past three years the independent sector has trained 954 dentists, 796 doctors, and 9,360 lawyers. 20/

2. Independent institutions provide opportunities for a baccalaureate education for qualified students from minority ethnic backgrounds. In California, Chicano and Black students are underrepresented in the public four-year institutions, and during the past four years little progress has been made in reducing this underrepresentation. 21/ The independent institutions make an important contribution in responding to this problem, enrolling approximately 9,000 Black and 8,000 Chicano students annually. Moreover, while the percentage enrollment of Chicano and Black students has apparently decreased in the University of California during the past three years, it has increased at the independent institutions during the same period. 22/

3. Independent institutions provide opportunities for postsecondary education for qualified students desiring to enroll on a part-time basis. 23/ The independent sector provides the primary route for students seeking a doctoral degree on a part-time schedule. In 1975, over 8,000 part-time students were enrolled in the graduate programs at the four major independent Doctoral Granting Universities. Approximately 50 percent of the graduate

students at these four institutions is part time, while only 5 percent of those at the University of California is part time. 24/

PERCENT OF PART-TIME GRADUATE STUDENTS
AT INSTITUTIONS AWARDING DOCTORATE DEGREE

Year	University of California	Independent Doctoral Granting Institutions
Fall 1972	7.3%	50.1%
Fall 1973	5.2	51.6
Fall 1974	5.6	54.4
Fall 1975	4.3	51.3

The independent institutions also enrolled a significant percent of their undergraduate students on a part-time basis, thereby facilitating access for students whose socio-economic levels inhibit full-time enrollment. Approximately 17 percent of the undergraduate students at the independent institutions are part-time, in contrast with approximately 6 percent at the University of California and approximately 29 percent at the California State University and Colleges. 25/

PERCENT OF PART-TIME UNDERGRADUATE STUDENTS
AT INSTITUTIONS AWARDING BACCALAUREATE DEGREE

Year	University of California	Independent Institutions	State University and Colleges
Fall 1972	5.4%	12.5%	25.8%
Fall 1973	5.5	16.9	27.4
Fall 1974	5.4	19.1	28.2
Fall 1975	5.6	16.8	28.8

4. Independent institutions provide opportunities for postsecondary education for qualified low-income students. According to a report from the California Student Aid Commission, approximately 13 percent of the students attending independent colleges have a parental income under $7,500. 26/ A report of the Assembly Permanent Subcommittee on Postsecondary Education concluded that the independent institutions are effective in providing educational opportunities for graduates from low-income schools. 27/

5. Independent institutions provide individual students a range of postsecondary alternatives, allowing the student to select the institution which best fits his/her goals and capabilities. Among the factors included in this range of alternatives are:

(1) differing size of student bodies;

(2) differing academic program, from liberal arts to specialized training;

(3) single-sex academic environment;

(4) geographic location;

(5) academic selectivity; and

(6) church-related educational program.

Independent institutions perform a public function by contributing to the real choice of individual students, and by providing the opportunity to attend a variety of small, residential colleges.

6. Independent institutions contribute to the considerable diversity within the postsecondary education network in California. The more than 250 independent institutions provide diversity in postsecondary education in the same fashion as they provide alternatives for students. In addition, the autonomous, independent sector serves as a barrier to State monopoly of postsecondary education. Also, the diversity and competition offered by both the independent and public sectors provide a stimulus for innovation and positive change in postsecondary education. While the degree and significance of this diversity cannot be quantified, it is clear that it exists and has considerable significance.

7. The educational services provided by the independent institutions represent a cost savings to the State and the California taxpayer. In the absence of this sector, much of the cost of educating students enrolled in independent colleges would, of necessity, be borne by public colleges. While the cost savings generated by the independent sector can be estimated only roughly, it probably saves the State approximately $355 million annually, as well as over $1 billion in facilities costs. 28/

8. The independent institutions make a substantial contribution to the economic vitality of the communities in which they are located. The payrolls and purchases of independent colleges and universities bring revenues from private sources into the community. The expenditures by students, faculty and other staff members all contribute to the economic health of college communities.

CHAPTER 3

STATE POLICY TOWARD INDEPENDENT INSTITUTIONS

Historically, the intent of State policy has been to encourage and support the independent sector of California postsecondary education. Independent colleges and universities are exempt from property taxes, enjoy the benefits of the State student assistance programs, have the right of eminent domain, and participate as equal members in the 1202 Commission. Thus far, however, State policy has developed without an explicit agreement as to the relationship between public and independent postsecondary education, and the State role toward the independent sector. The purpose of this chapter is to review existing policy and programs; a subsequent chapter will consider recommendations for change.

Student Assistance Programs

The primary source of State financial assistance to the independent institutions is indirect, provided through three student financial-aid programs: State Scholarship Program, Graduate Fellowship Program and College Opportunity Grant Program. The purposes of these programs are to: 29/

1. Provide equal opportunity and access to postsecondary education for persons of both sexes, and all races, ancestries, incomes, ages, and geographies in California;

2. Enhance the ability of individuals to choose the most appropriate educational opportunity among different institutions;

3. Assist students to progress through the educational program in accordance with the individual's educational objectives;

4. Provide assistance to individuals who desire to enroll in an independent college or university; and

5. Complement and supplement the purposes of federal student assistance programs so as to enhance the effectiveness of State programs.

In 1977-78, students attending independent institutions received approximately $52 million of State funds through these three programs.

State Scholarship Program

The State Scholarship Program was established in 1955, and provided for a series of competitive undergraduate scholarships, each to be used for payment of tuition and fees. The enabling legislation provided that each scholarship could be used for study at any accredited institution, with the awards not to exceed $600 per academic year. The academic criteria for eligibility were high school grade-point average and scores on the Scholastic Aptitude Test, with financial need to be assessed by the Student Aid Commission.

Three major changes that have occurred in recent years in the Scholarship Program concern: (1) number of awards, (2) maximum size of award, and (3) institutions eligible for enrollment by scholarship recipients. During the past ten years the number of new State scholarships awarded annually has increased from less than 3,000 in 1967-68 to almost 15,000 in 1977-78. The maximum award for student tuition and fees is currently $2,700, with each award winner eligible to renew the award, not to exceed a maximum of four years or until completion of the undergraduate program. 30/ Scholarships may be used at institutions which are accredited, candidates for accreditation, State-approved, and/or eligible for participation in the federal BEOG program.

The original objectives of the Scholarship Program were:

> to encourage high ability students with proven need to pursue programs of study at institutions of their choice;
>
> to maintain and promote diversity in postsecondary education by improving the quality and financial strength of the State's independent colleges and universities; and
>
> to conserve State funds by diverting students from crowded public institutions to less crowded independent colleges and universities.

The Scholarship Program has been successful in achieving each of these objectives. Over 50,000 Scholarship winners have attended independent institutions during the past twenty years, with approximately $214 million distributed to the independent institutions through State Scholarship funds. While the public institutions are no longer as crowded as they were twenty years ago, the Scholarship Program has helped to conserve State funds by encouraging the education of students at independent institutions at a moderate and acceptable cost to the State. 31/

From 1960 until 1967, there was a steady decline in the percent of total State Scholarship winners attending independent colleges. (See Table 10.) In September 1960, 67 percent of the Scholarship recipients attended independent colleges; in September 1967, only 57 percent attended an independent college. This trend was primarily the result of the growth and increasing prestige of the State's public universities and colleges.

Since 1970, the independent institutions have annually enrolled approximately 47 percent of the State Scholarship recipients. Three factors have been important in shaping this trend: (1) the dramatic expansion of the Scholarship Program in the past ten years, (2) the large increase in tuition/fees at the University of California in 1972, and (3) rising tuition at the independent institutions. This last factor is particularly important, as the "total-cost gap" between enrollment at an independent and a public institution has continued to grow. In 1972, the average tuition and fees charged by the nineteen independent institutions enrolling the largest number of State Scholarship winners was $2,453; at nine campuses of the University of California, average tuition and fees charged were $630. The maximum State Scholarship award at an independent institution in 1972 was $2,000, while at the University of California it was only $600. Thus, the additional cost for tuition at an independent institution was $453, while at the University it was only $30. In 1976, although the maximum award had increased to $2,700, the additional cost at the independent institutions had increased to $711, while the University had increased to only $48. 32/

Despite the decreasing percentage of Scholarship winners attending independent institutions since 1960, the independent sector has continued to receive approximately the same proportion of State Scholarship funds. (See Table 11.) During the first ten years of the Scholarship Program, independent institutions received approximately 90 percent of the funds allocated to students. During the past ten years, this figure dropped to approximately 80 percent. In 1976, independent institutions received approximately $42 million of the $50.7 million allocated to the State Scholarships. The fact that the independent institutions receive such a large proportion of these dollars is a result of their higher tuition charges. It also demonstrates the success thus far of the Scholarship Program in achieving two State goals: (1) provision of assistance to students who want to attend an independent college or university, and (2) maintenance of the financial strength of the State's independent colleges and universities.

The University of Southern California has the largest number of State Scholarship winners in attendance, enrolling 23.4 percent of all those in the independent sector. The ten independent

Table 10

STATE SCHOLARSHIP PROGRAM

DISTRIBUTION OF STUDENTS
OF INDEPENDENT INSTITUTIONS

Year	Number	Percent	Year	Number	Percent
1956-57	379	63.3%	1967-68	3,910	56.8%
1957-58	834	65.8	1968-69	5,370	51.3
1958-59	1,272	66.3	1969-70	6,811	50.3
1959-60	1,674	65.5	1970-71	7,702	48.5
1960-61	1,715	67.0	1971-72	9,432	46.8
1961-62	2,107	65.8	1972-73	10,593	46.0
1962-63	2,597	67.6	1973-74	12,560	46.0
1963-64	2,913	65.0	1974-75	15,120	47.2
1964-65	3,272	63.9	1975-76	16,826	46.7
1965-66	3,190	62.3	1976-77	18,427	47.1
1966-67	3,640	60.4	1977-78	19,371	46.8

Source: California Student Aid Commission, State Scholarships at Independent Institutions, dated October 20, 1976. For 1977-78, see California Student Aid Commission, Agenda, October 4, 1977, Section H, parts E and F.

Table 11

STATE SCHOLARSHIP PROGRAM AND INDEPENDENT INSTITUTIONS

Year	Number of State Scholars at Independent Institutions[1]	State Scholarship Funds at Independent Institutions[1]	Percent of Total Scholarship Funds to Students at Independent Institutions[1]	State Scholars as Percent of Full-Time Undergraduate Enrollment at Independent Institutions[2]
1956-57	379	$ 220,000	89.9%	1.13%
1957-58	834	483,000	90.7	2.47
1958-59	1,272	740,000	90.3	3.71
1959-60	1,674	985,000	89.0	4.60
1960-61	1,715	1,022,000	89.6	4.56
1961-62	2,107	1,606,000	91.3	5.26
1962-63	2,597	2,057,000	90.8	6.11
1963-64	2,913	2,332,000	88.6	6.67
1964-65	3,272	3,249,000	89.4	7.12
1965-66	3,190	3,248,000	88.2	6.25
1966-67	3,640	4,017,000	88.3	6.75
1967-68	3,910	4,373,000	86.8	6.97
1968-69	5,370	6,400,000	83.2	9.30
1969-70	6,811	9,743,000	84.8	11.19
1970-71	7,702	11,134,000	80.5	12.24
1971-72	9,432	13,816,000	79.8	14.64
1972-73	10,593	17,743,000	76.7	16.73
1973-74	12,568	22,478,000	78.7	19.26
1974-75	15,120	29,545,000	80.5	22.59
1975-76	16,826	36,654,000	81.5	23.82
1976-77	18,427	41,933,100	82.7	23.82
1977-78[3]	19,371	46,380,000		

1. Source: California Student Aid Commission, State Scholarships at Independent Institutions, dated October 20, 1976.

2. Source: For years 1956-57 through 1966-67, Governor's Budget, Supplement for Education, 1971-72, Table A, page 646. For years 1967-68 through 1976-77, Governor's Budget, 1977-78, Table A, page 914.

3. Source: California Student Aid Commission, Agenda, October 14, 1977, Section H, parts E and F.

institutions with the largest number of winners enroll over 60 percent of all State Scholars attending independent colleges and universities. Since 1970, basically the same ten institutions enrolled the largest numbers of State Scholarship winners. (See Table 12.)

As the Scholarship Program has been expanded, an increasingly larger percent of the full-time undergraduates enrolled at independent institutions are Scholarship winners. During the past three years, approximately 23 percent of the full-time undergraduates at independent institutions were State Scholarship winners. Some independent colleges depend upon funds from the State Scholarship Program as a major source of tuition and student fee revenues. In 1975-76, for example, nine independent colleges had 20 percent or more of their tuition and fee revenues generated through Scholarship and College Opportunity Grant Programs. 33/ During the past five years there has been considerable change in the income distribution of Scholarship recipients attending both public and independent institutions. (See Table 13.) An increasing percentage of the grant recipients are from families with a parental net income of $18,000 and above, 34/ while a decreasing percent are from families with a parental income below $9,000. 35/ This trend is the result of three factors:

1. The College Opportunity Grant Program (COG), which offers grants to low-income students for both tuition and subsistence costs has been expanded. When given a choice between a State Scholarship and a COG grant, students will usually select the latter, as the size of the award is larger.

2. In 1975, there was a reduction in the size of the expected contribution from families of Scholarship recipients. The rationale for the adjustment was to reflect the impact of inflation on the financial needs of applicants. Since the size of the reduction in expected family contribution increased with family-income level, the major effect was to qualify a greater percentage of students from high-income families for scholarships. As a result, in 1975-76 there was a dramatic increase in the percent of first-time Scholarship recipients whose parents' net incomes exceeded $15,000 annually. 36/

3. Continuing inflation has reduced the number of citizens with net incomes below $6,000 and increased the number of those with net incomes over $18,000.

A comparision of income distribution of Scholarship recipients at the independent colleges, the University of California, and the State University and Colleges leads to an important conclusion: The

Table 12

TEN INDEPENDENT INSTITUTIONS WITH LARGEST NUMBER OF STATE SCHOLARSHIP WINNERS

1970-71[4]		1971-72[4]		1972-73[3]		1973-74[3]	
University of Southern California	1086	University of Southern California	1415	University of Southern California	1621	University of Southern California	2100
Stanford University	774	Stanford University	902	Stanford University	976	Stanford University	1016
Santa Clara	725	Santa Clara	795	Santa Clara	833	Loyola Marymount University	892
University of San Francisco	531	Loyola Marymount University	651	Loyola Marymount University	728	Santa Clara	872
Loyola Marymount University	524	University of San Francisco	544	University of San Francisco	564	University of the Pacific	641
University of the Pacific	420	University of the Pacific	531	University of the Pacific	506	University of San Francisco	624
Occidental College	409	Occidental College	452	Occidental College	485	Occidental College	492
University of Redlands	342	University of Redlands	393	University of Redlands	403	University of Redlands	436
Pomona	239	Pomona	288	Pomona	318	Pacific Union College	361
Whittier College	179	Whittier College	256	Whittier College	298	Whittier College	358

1974-75[2]		1975-76[2]		1976-77[2]		1977-78[1]	
University of Southern California	2969	University of Southern California	3679	University of Southern California	4238	University of Southern California	4541
Loyola Marymount University	1074	Loyola Marymount University	1227	Loyola Marymount University	1333	Loyola Marymount University	1375
Stanford University	1060	Santa Clara	1046	Santa Clara	1119	Santa Clara	1104
Santa Clara	933	Stanford University	964	Stanford University	972	University of the Pacific	962
University of the Pacific	761	University of the Pacific	867	University of the Pacific	925	Stanford University	898
University of San Francisco	678	University of San Francisco	667	University of San Francisco	681	University of San Francisco	678
Occidental College	564	Occidental College	607	Occidental College	608	Pacific Union College	653
University of Redlands	507	Loma Linda University	521	Loma Linda University	584	Occidental College	588
Pacific Union College	450	Pacific Union College	520	Pacific Union College	580	University of Redlands	524
Loma Linda University	439	University of Redlands	487	Biola College	531	Loma Linda University	464

1. California Student Aid Commission, Agenda, October 14, 1977, Section F.
2. Ibid., Section H.
3. California State Scholarship and Loan Commission, Agenda, September 30, 1975, Section E.
4. California State Scholarship and Loan Commission, Agenda, October 5, 1973, Section C.

Table 13

INCOME DISTRIBUTION OF FIRST TIME CALIFORNIA
STATE SCHOLARSHIP RECIPIENTS--BY PERCENT, BY SEGMENT

	Parents Net Income					
	Below $6000	$6000-$8999	$9000-$11,999	$12,000-$14,999	$15,000-$17,999	$18,000 & Above
Percent of:						
All New Scholars						
1973-74	14.1%	21.4%	24.2%	20.9%	12.6%	6.8%
1974-75	11.5	17.6	23.5	24.7	11.8	11.0
1975-76	8.0	11.3	16.6	18.8	18.4	28.8
1976-77	8.0	13.0	17.0	16.0	18.0	28.0
1977-78	8.0	12.0	16.0	16.0	17.0	31.0
Independent Colleges						
1973-74	11.6	18.0	19.7	22.0	16.9	11.8
1974-75	8.9	14.2	23.9	25.3	12.4	15.3
1975-76	6.2	9.3	14.6	18.5	18.7	32.8
1976-77	8.0	13.0	15.0	12.0	17.0	35.0
1977-78	7.0	11.0	15.0	13.0	16.0	38.0
University of California						
1973-74	13.6	21.7	27.8	20.0	12.5	4.4
1974-75	11.3	18.8	23.3	22.8	13.5	10.3
1975-76	9.3	12.1	20.0	15.3	17.8	25.5
1976-77	9.0	12.0	17.0	21.0	18.0	23.0
1977-78	8.0	11.0	16.0	21.0	18.0	26.0
State University & Colleges						
1973-74	19.0	26.9	27.2	20.1	5.4	1.4
1974-75	17.5	23.2	22.9	26.1	7.8	2.5
1975-76	9.4	14.1	14.1	26.6	19.1	16.8
1976-77	7.0	16.0	19.0	20.0	20.0	18.0
1977-78	9.0	14.0	17.0	20.0	18.0	22.0

Sources: Governor's Budget, 1974-75, page 618, Table C; Governor's Budget, 1975-76, page 994, Table C; Governor's Budget, 1976-77, page 1004, Table C; Governor's Budget, 1977-78, page 915, Table C; Governor's Budget, 1978-79, page 940, Table C.

independent institutions enroll approximately the same percent of Scholarship recipients with a parental net income below $9,000 as the public segments. However, the independent institutions enroll a substantially smaller percent of Scholarship recipients with a parental net income between $12,000 and $15,000, and a substantially larger percent with a parental net income above $18,000. This development is the result of the increasing gap between tuition charges and award size, which is making it difficult for students from families with a parental net income between $12,000 and $15,000 (and who are not eligible for a federal BEOG grant) to utilize the State Scholarship Program to attend an independent college. 37/

The gap between tuition charges and award size has increased significantly since 1970. The average tuition for the ten institutions enrolling the largest number of State Scholarship winners in 1977-1978 is $3,445. The maximum award is $2,700, while the average award to students at independent institutions is $2,394. Scholarship winners attending these independent institutions can therefore anticipate at least an additional $745 in costs for tuition as well as living expenses. The gap between the average tuition and the average award has more than doubled during the past seven years, as the following chart demonstrates:

	Average Tuition at Ten Independent Institutions Enrolling Largest Number of Scholarship Winners	Maximum Award	Gap	Mean Award at Independent Institutions	Gap
Fall 1970	$1,858	$2,000	—	$1,446	$ 412
Fall 1972	2,380	2,000	$380	1,675	705
Fall 1974	2,600	2,500	100	1,954	646
Fall 1976	3,120	2,700	420	2,276	844
Fall 1977	3,445	2,700	745	2,394	1,051

Important changes have occurred in the nature of the State Scholarship Program as a result of the dramatic increase in the number of annual awards. While the total number of new awards has increased by 147 percent since 1970, the total number of high school graduates has increased by only 3.6 percent. (See Table 14.) The number of Scholarship applicants has stabilized generally during the past three years, with approximately 17 percent of California high school graduates applying for a scholarship. Almost one of every three applicants receives a scholarship, and apparently almost every applicant with demonstrated financial need now receives assistance. In contrast with one of the original purposes of the Program, grants are now offered to high school graduates

Table 14

STATE SCHOLARSHIP PROGRAM
SELECTION RATIO

Year	Number of High School Graduates	Number of Applicants	Applicants/as a percent of High School Graduates	Number of New Scholarship Recipients	Recipients/as a percent of Applicants	Recipients/as a percent of High School Graduates
1956-57	115,294	2,443	2.12%	599	25.0%	.52%
1957-58	123,840	5,260	4.25	842	16.0	.68
1958-59	136,613	7,944	5.81	973	12.0	.71
1959-60	161,544	9,035	5.59	1,191	13.0	.73
1960-61	173,913	11,165	6.41	881	8.0	.50
1961-62	179,176	13,677	7.63	1,514	11.0	.84
1962-63	185,152	15,305	8.26	1,783	12.0	.96
1963-64	224,121	15,913	7.10	1,844	12.0	.82
1964-65	242,600	19,992	8.24	1,828	9.0	.75
1965-66	252,000	21,090	8.37	1,625	7.7	.64
1966-67	265,000	22,252	8.40	2,650	11.9	1.0
1967-68	274,600	23,818	8.67	2,746	11.5	1.0
1968-69	279,800	29,376	10.50	5,596	19.0	2.0
1969-70	288,900	30,331	10.50	5,778	19.0	2.0
1970-71	361,100	33,442	11.10	6,023	18.0	2.0
1971-72	307,100	38,363	12.49	9,214	24.0	3.0
1972-73	317,415	41,949	13.22	9,526	22.7	3.0
1973-74	319,790	43,684	13.66	11,193	25.6	3.5
1974-75	311,100	43,383	13.95	13,221	30.4	4.25
1975-76	312,035	60,847	19.50	13,261	21.8	4.25
1976-77	311,000	54,885	17.65	14,384	26.2	4.63
1977-78	312,000	53,936	17.29%	14,900	27.6	4.77

who would not be characterized as highly able students. 38/ Available evidence indicates that the Scholarship Program has been sufficiently expanded so that there is no need to continue to increase annually the number of awards.

Conclusions

An assessment of the effectiveness of the State Scholarship Program in achieving its stated objectives provides the following conclusions:

1. The State Scholarship Program has been successful in providing the necessary financial assistance so that able students with demonstrated need have the opportunity to choose among postsecondary alternatives at independent institutions. A developing problem in the Program, however, is the increasing difficulty experienced by students with parental net income between $12,000 - $15,000 in utilizing their Scholarships to attend an independent college. As a result of the increasing gap between average tuition at the major independent institutions and the current average award, students from this income level (who are not eligible for a federal BEOG grant) are experiencing more limited choices among different independent institutions.

2. The Scholarship Program has been successful in providing indirect financial assistance to independent institutions, helping to maintain the quality and financial strength of this segment of postsecondary education.

3. Given current enrollment trends, there is little reason to maintain the original purpose of the Scholarship Program -- to divert students from crowded public institutions to less crowded independent colleges and universities. A more important objective of the Program is to promote the most effective and efficient utilization of the resources of postsecondary education, at the lowest cost to the State. During each of the past ten years, the average award to a student attending an independent institution has been less than the average educational costs per FTE student at the State University and Colleges.

Graduate Fellowship Program

The Graduate Fellowship Program was established in 1965, and provided for a series of competitive grants to be used for payment

of tuition and fees. Each Fellowship is to be used at an institution accredited by, or in candidate status with, the Western Association of Schools and Colleges or the California State Bar. The criteria used to determine eligibility include: (1) academic standing of the applicant, as indicated by test scores and undergraduate grade-point average; (2) manpower needs of the State; (3) disadvantaged status of the applicant; and (4) financial need of the applicant. 39/

The original purpose of the Graduate Fellowship Program was to increase the supply of potential college faculty members at California colleges as a means of offsetting the existing and predicted shortage of faculty. Currently, the general purpose of the program is to provide the opportunity for graduate study to unusually able individuals who might otherwise, because of financial, home and/or community environmental conditions, be unable to enroll. 40/ The Fellowships awarded in 1976-77 ranged from a minimum of $700 to full tuition and fees at independent institutions.

Since 1967, when the Program was implemented, approximately 50 percent of the Fellowship recipients have attended independent institutions. 41/ During the first ten years of the Program, through Fall 1976, students attending independent institutions have received approximately 83 percent of the funds allocated -- $7.9 million of the $9.6 million expended. (See Tables 15 and 16.) In each of the past three years, students attending independent institutions have received approximately $1.7 million in Graduate Fellowship dollars. The average grant for Graduate Fellowship recipients attending independent institutions has increased from $1,652 in 1971-72 to $3,747 in 1977-78. (See Table 17.)

The Graduate Fellowship Program seems to have had an important impact in providing assistance for ethnic minorities seeking graduate education. There has been a significant increase in the proportion of Chicano, Asian-American, and Black Fellowship winners during the past four years. (See Table 18.) This development, as well as the fact that students attending independent institutions receive such a large proportion of the Fellowship dollars, demonstrates the success of the Program in the achievement of two State goals: (1) provision of financial assistance to individuals, particularly ethnic minorities, who desire access to graduate education at either a public or an independent postsecondary institution; and (2) maintenance of the financial strength of California's independent institutions.

While the Fellowship Program has been successful in achieving these policy goals, it should be noted that it has never been funded to the level authorized. Current law authorizes Fellowships at a rate equal to two percent of the total number of baccalaureate degrees

Table 15

GRADUATE FELLOWSHIPS
DISTRIBUTION OF STUDENTS BY SEGMENT

Year	Independent Institutions		University of California		State University and Colleges		Total Number of Grants
	Number	Percent	Number	Percent	Number	Percent	
1967-68 1/	179	57.9%	99	32.1%	31	10.0%	309
1968-69 1/	433	55.2	268	34.1	84	10.7	785
1969-70 2/	431	54.1	286	35.9	80	10.0	797
1970-71 2/	437	46.6	395	42.1	106	11.3	938
1971-72 3/	182	47.4	177	46.1	25	6.5	384
1972-73 4/	298	52.4	261	45.8	10	1.8	569
1973-74 5/	295	46.1	305	48.0	38	6.0	638
1974-75 6/	272	47.0	282	49.0	24	4.0	578
1975-76 6/	497	46.0	492	46.0	91	8.0	1,080
1976-77 7/	497	52.0	427	42.0	70	6.0	994
1977-78 7/	567	52.0	468	43.0%	55	5.0	1,090

1/ California State Scholarship and Loan Commission, Sixth Biennial Report, pages 40-41.
2/ Ibid., Seventh Biennial Report, page 41.
3/ Governor's Budget, 1974-75, page 619, Table B.
4/ Governor's Budget, 1975-76, page 995, Table B.
5/ Governor's Budget, 1976-77, page 1005, Table B.
6/ Governor's Budget, 1977-78, page 919, Table B.
7/ Governor's Budget, 1978-79, page 944, Table B.

Table 16

GRADUATE FELLOWSHIPS
DISTRIBUTION OF FUNDS BY SEGMENT

Year	Independent Institutions Funds	Independent Institutions Percent	University of California Funds	University of California Percent	State University and Colleges Funds	State University and Colleges Percent	Total Funds
1967-68 1/	$ 261,227	90.4%	$ 24,205	8.3%	$ 3,568	1.3%	$ 289,000
1968-69 1/	705,978	88.2	84,289	10.5	9,673	1.3	799,940
1969-70 2/	777,500	88.3	92,421	10.5	10,617	1.2	880,538
1970-71 2/	811,828	79.4	194,316	19.0	16,103	2.6	1,022,247
1971-72 3/	300,731	79.3	75,680	19.9	2,699	.8	379,110
1972-73 4/	781,571	81.1	180,881	18.7	1,626	.2	964,078
1973-74 5/	826,116	79.0	212,059	20.0	6,131	1.0	1,044,306
1974-75 6/	839,963	80.0	199,492	19.0	10,499	1.0	1,049,954
1975-76 6/	1,516,146	82.0	314,323	17.0	18,489	1.0	1,848,958
1976-77 7/	1,700,000	84.0	280,000	14.0	20,000	1.0	2,000,000
1977-78 7/	2,125,000	85.0	350,000	14.0	25,000	1.0	2,500,000

1/ California State Scholarship and Loan Commission, Agenda, October 9, 1970, Section G-8.
2/ California State Scholarship and Loan Commission, Seventh Biennial Report, page 41.
3/ Governor's Budget, 1974-75, page 619, Table B.
4/ Governor's Budget, 1975-76, page 995, Table B.
5/ Governor's Budget, 1976-77, page 1005, Table B.
6/ Governor's Budget, 1977-78, page 919, Table B.
7/ Governor's Budget, 1978-79, page 944, Table B.

Table 17

GRADUATE FELLOWSHIPS
AVERAGE GRANT

	1971-72[1]	1972-73[2]	1973-74[3]	1974-75[4]	1975-76[4]	1976-77[5]	1977-78[5]
Independent	$1,652	$2,622	$2,800	$3,120	$3,205	$3,421	$3,747
University of California	427	693	695	697	716	656	748
State University and Colleges	107	162	161	186	191	286	455

1. Governor's Budget, 1974-75, page 619, Table B.
2. Governor's Budget, 1975-76, page 995, Table B.
3. Governor's Budget, 1976-77, page 1005, Table B.
4. Governor's Budget, 1977-78, page 919, Table B.
5. Governor's Budget, 1978-79, page 944, Table B.

Table 18

GRADUATE FELLOWSHIPS
DISTRIBUTION OF FELLOWSHIP WINNERS BY ETHNIC BACKGROUND

	1974[1]	1975[1]	1976[1]	1977[1]
Black/Afro-American	1.09%	7.63%	9.89%	10.73%
Chicano/Mexican-American	--	11.50	13.10	20.17
Filipino	1.09	1.03	.80	--
Oriental/Asian-American	5.46	12.76	15.51	18.03
American Indian/Native American	--	1.03	--	.43
Caucasian/White American	89.07	60.59	55.08	45.06
Other	3.29	5.46	5.61	5.56

1. California Student Aid Commission, Agenda, October 14, 1977, Section J, Enclosure J-3.

awarded during the preceding academic year by California colleges and universities accredited by the Western Association of Schools and Colleges. Under this provision, over 1,600 awards could have been granted in 1977, rather than approximately 800 that were actually funded. Given the clear benefits from the Program in providing a vehicle for ethnic minorities to gain access to graduate programs and thereby to professions where minorities traditionally have been underrepresented, there are reasons to consider expanding the funding for this Program to the authorized level. Assembly Bill 715 (Chapter 1063, Statutes of 1977) appropriated $500,000 from the General Fund for the 1977-78 fiscal year to expand this Program during the current year.

College Opportunity Grants

The College Opportunity Grant Program (COG) was established in 1968 to provide financial assistance for undergraduate study to disadvantaged students who are not able to compete successfully for scholarships. 42/ Grants include support for living expenses up to $1,100, as well as tuition and fees. While the average College Opportunity Grant in 1976 was $1,098, the maximum award possible is $3,600. The enabling legislation for this program recognized "that the role of the community colleges, as the least expensive level of California higher education, is a crucial role in increasing the higher education opportunities for disadvantaged students." 43/

During the past five years, 13 percent of the COG winners have chosen to attend independent institutions. (See Table 19.) This percentage is considerably higher than during the first two years of the program (1969 and 1970), when approximately 3 percent attended independent institutions. In the last five years, students attending independent institutions have received approximately $14.7 million in COG funds, only slightly less than the $15.6 million received by students attending Community Colleges during the same period. (See Table 20.)

Both the University of California and the independent institutions have experienced a reduction during the past three years in the percent of COG recipients enrolling as first-time freshmen. While in 1973-74, 16 percent of the freshman COG recipients attended independent institutions, in 1977-78 only 7 percent did so. (See Table 21.) While in 1973-74, 17 percent of the freshman COG recipients attended the University of California, in 1977-78 only 13 percent did so. This trend is partially the result of not awarding first-year COG recipients financial assistance for tuition and fees.

While the number of annual applications for State Scholarships has apparently stabilized, the number for College Opportunity Grants

Table 19

COLLEGE OPPORTUNITY GRANTS
DISTRIBUTION OF STUDENTS BY SEGMENT

Year	Independent Institutions Number	Independent Institutions Percent	University of California Number	University of California Percent	State University & Colleges Number	State University & Colleges Percent	Community Colleges Number	Community Colleges Percent	Total Number
1969-70 1/	16	1.6%	11	1.1%	31	3.1%	942	94.2%	1,000
1970-71 2/	72	4.2	64	3.7	120	7.0	1,464	85.1	1,720
1971-72 3/	216	9.4	256	11.2	471	20.5	1,350	58.9	2,293
1972-73 4/	474	12.4	671	17.6	1,020	26.8	1,646	43.2	3,811
1973-74 5/	791	16.6	905	19.0	1,164	24.4	1,901	40.0	4,761
1974-75 6/	1,046	16.0	1,328	20.0	1,702	25.0	2,619	39.0	6,695
1975-76 6/	1,272	15.0	1,627	20.0	2,108	26.0	3,155	39.0	8,162
1976-77 7/	1,520	12.0	2,280	18.0	3,542	28.0	5,320	42.0	12,666
1977-78 7/	1,558	10.0	2,648	17.0	4,517	29.0	6,698	43.0	15,577

1/ California State Scholarship and Loan Commission, Seventh Biennial Report, pages 44-49.
2/ Governor's Budget, 1973-74, page 1274, Table D.
3/ Governor's Budget, 1974-75, page 620, Table D.
4/ Governor's Budget, 1975-76, page 996, Table C.
5/ Governor's Budget, 1976-77, page 1007, Table C.
6/ Governor's Budget, 1977-78, page 917, Table C.
7/ Governor's Budget, 1978-79, page 942, Table C.

Table 20

COLLEGE OPPORTUNITY GRANTS
DISTRIBUTION OF FUNDS BY SEGMENT
(In Thousands of Dollars)

Year	Independent Institutions Amount	Independent Institutions Percent	University of California Amount	University of California Percent	State University & Colleges Amount	State University & Colleges Percent	Community Colleges Amount	Community Colleges Percent	Total Amount
1969-70 1/	$ 36,859	3.9%	$ 12,088	1.3%	$ 30,649	3.2%	$ 869,300	91.6%	$ 948,896
1970-71 2/	183,000	11.0	87,000	5.3	119,000	7.3	1,256,000	76.4	1,645,000
1971-72 3/	455,089	19.0	292,448	13.0	426,376	18.0	1,186,511	50.0	2,360,424
1972-73 4/	994,122	23.0	845,572	20.0	1,006,502	23.0	1,455,735	34.0	4,301,931
1973-74 5/	1,880,986	32.0	1,192.930	20.0	1,153,789	20.0	1,671,998	28.0	5,899,703
1974-75 6/	2,629,806	33.0	1,673,589	21.0	1,651,884	20.0	2,135,500	26.0	8,090,779
1975-76 6/	2,921,056	33.0	1,858,854	21.0	1,770,338	20.0	2,301,438	26.0	8,851,686
1976-77 7/	3,385,026	25.0	2,572,620	19.0	3,249,625	24.0	4,330,135	32.0	13,540,106
1977-78 7/	3,854,996	23.0	$3,352,170	20.0	4,190,213	25.0	5,195,864	31.0	16,760,852

1/ California State Scholarship and Loan Commission, Seventh Biennial Report, pages 44-49.
2/ Governor's Budget, 1973-74, page 1274, Table D.
3/ Governor's Budget, 1974-75, page 620, Table D.
4/ Governor's Budget, 1975-76, page 996, Table C.
5/ Governor's Budget, 1976-77, page 1007, Table C.
6/ Governor's Budget, 1977-78, page 917, Table C.
7/ Governor's Budget, 1978-79, page 942, Table C.

Table 21

COLLEGE OPPORTUNITY GRANTS
DISTRIBUTION OF STUDENTS BY SEGMENTS
(Freshmen Recipients Only)

Year	Independent Institutions		University of California		State University & Colleges		Community Colleges		Total
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
1969-70 1/	16	1.6%	11	1.1%	31	3.1%	942	94.2%	1,000
1970-71 2/									1,000
1971-72 3/	110	11.0	160	16.0	200	20.0	530	53.0	1,000
1972-73 4/	249	12.0	327	16.0	411	21.0	1,013	51.0	2,000
1973-74 5/	321	16.0	330	17.0	329	16.0	1,020	51.0	2,000
1974-75 6/	320	10.0	511	16.0	688	22.0	1,581	51.0	3,100
1975-76 6/	319	10.0	565	18.0	635	20.0	1,581	51.0	3,100
1976-77 7/	537	8.0	1,008	15.0	1,639	24.0	3,640	53.0	6,825
1977-78 7/	506	7.0	900	13.0	1,710	25.0	3,646	54.0	6,825

1/ California State Scholarship and Loan Commission, Seventh Biennial Report, pages 44-49.
2/ Governor's Budget, 1973-74, page 1274, Table D.
3/ Governor's Budget, 1974-75, page 620, Table D.
4/ Governor's Budget, 1975-76, page 996, Table C.
5/ Governor's Budget, 1976-77, page 1007, Table C.
6/ Governor's Budget, 1977-78, page 917, Table C.
7/ Governor's Budget, 1978-79, page 942, Table C.

Table 22

COLLEGE OPPORTUNITY GRANTS
AVERAGE GRANT

	1971[1]	1972[2]	1973[3]	1974[4]	1975[4]	1976[1]	1977[5]
Independent	$2,106	$2,097	$2,377	$2,511	$2,716	$2,227	$2,474
University of California	1,142	1,260	1,318	1,260	1,304	1,128	1,266
State University and Colleges	905	986	991	971	994	917	928
Community Colleges	878	884	879	821	861	814	776
All Awards	1,030	1,128	1,116	1,032	1,085	1,069	1,076

1. Governor's Budget, 1974-75, page 620, Table D.
2. Governor's Budget, 1975-76, page 996, Table C.
3. Governor's Budget, 1976-77, page 1007, Table C.
4. Governor's Budget, 1977-78, page 917, Table C.
5. Governor's Budget, 1978-79, page 942, Table C.

Table 23

TEN INDEPENDENT INSTITUTIONS WITH LARGEST TOTAL OF COLLEGE OPPORTUNITY GRANT RECIPIENTS

1973-74[1]

University of Southern California	143
University of the Pacific	53
Loyola Marymount	52
Occidental	48
Stanford	40
Pomona	39
University of the Redlands	34
Pitzer	28
University of San Francisco	26
Whittier	25

1974-75[2]

University of Southern California	222
Loyola Marymount	80
University of the Pacific	70
Stanford	55
Pomona	48
	.42
Whittier	42
University of the Redlands	37
Santa Clara	32
University of San Francisco/ Loma Linda	26

1975-76[2]

University of Southern California	302
Loyola Marymount	103
University of the Pacific	83
Stanford	73
Whittier	59
Occidental	47
Loma Linda	44
Pomona	42
Santa Clara	42
University of San Francisco	40

1976-77[2]

University of Southern California	367
Loyola Marymount	135
University of the Pacific	92
Stanford	77
Whittier	63
Loma Linda	57
Occidental	48
Mount Saint Marys	47
Pepperdine	47
University of San Francisco	44

1. State Scholarship and Loan Commission, Agenda, September 30, 1975, Section I-9.
2. State Scholarship and Loan Commission, Agenda, October 12, 1976, Section M-9 (revised).

has increased dramatically during the past five years. To illustrate, in 1973-74 approximately 9,000 applications were submitted for COG awards; by 1977-78, the number of applicants had increased to almost 29,000. Approximately 9 percent of the high school graduates in California applied for an award in 1977-78, and many eligible applicants with financial need were not successful.

The University of Southern California has the largest number of COG recipients in attendance, enrolling 23.9 percent of those attending independent institutions. (See Table 13.) The ten independent institutions with the largest number of COG winners enroll over 60 percent of those attending independent colleges and universities. During the past four years, basically the same ten institutions have maintained the highest enrollment of COG students.

While the College Opportunity Grant Program has been successful in achieving the policy goals established by the Legislature, several issues remain concerning the operation of the Program.

1. The enabling legislation for the COG Program states that if a recipient transfers from a Community College to a four-year public or independent institution, "no adjustments to the initial grant shall be made for tuition and fees." 44/ The legislative intent of this language is ambiguous and in need of clarification, as COG recipients do, in practice, receive adjustments for tuition and fees.

2. There is no provision in existing law which prohibits awarding tuition and fees to COG recipients during their initial year in the Program. In practice, however, only a few COG winners receive assistance for tuition in their first year. The apparent effect of this administrative practice is to reduce the number of first-time freshman electing to use their award at either the University of California or an independent institution. Should this provision be changed so that COG winners who wish to attend a four-year institution are eligible to receive tuition support during each of the four years?

3. The COG Program has been administered so as to guarantee that, at a minimum, at least 51 percent of the first-time freshman recipients attend a Community College. Many COG recipients who wish to attend a four-year institution are diverted to a Community College. Is it good public policy to divert academically eligible students from four-year institutions to two-year institutions?

An attempt to answer these questions is not within the scope of this report. However, these questions should be addressed in any comprehensive evaluation of the objectives, policies, and practices of State student-assistance programs.

Tuition Grant Program

The Tuition Grant Program, established on a pilot basis in 1974, was intended to provide $900 grants to students entering independent institutions as undergraduates. To be eligible for this Grant, the student was expected to meet the academic eligibility requirements of the State Scholarship Program, as well as financial eligibility requirements somewhat more liberal than those of the Scholarship Program. 45/

The objectives of the Tuition Grant Program, as stated by the Legislature, were: 46/

1. to narrow the tuition gap between public and independent institutions;

2. to provide students from lower- and middle-income families with greater choice among postsecondary alternatives;

3. to give independent colleges a reasonable opportunity to compete with public institutions in recruiting all qualified students; and

4. to help assure that independent colleges will continue to contribute to the overall quality and diversity of post-secondary education in California.

While the Tuition Grant Program was approved by the Legislature, it has never been funded.

Impact of State Student Assistance Programs

An assessment of the impact of State student-assistance programs on the independent institutions offers the following conclusions:

1. The State Scholarship Program is of vital importance in the financial stability of the independent sector. Approximately one out of every five full-time, undergraduate students enrolled at independent institutions holds a State Scholarship, with approximately $50 million distributed annually to the independent sector through the Program.

2. Students with a parental net income between $12,000 and $15,000 apparently are experiencing increasing difficulty in utilizing the student assistance programs to attend independent institutions. Their income level is usually high enough to exclude them from eligibility for a College Opportunity Grant award and/or a federal BEOG award, yet not high enough to provide the necessary resources to bridge the gap between scholarship assistance and tuition charges. The State student-assistance programs are successful in enhancing the ability of individuals from families with parental net income below $12,000, and between $15,000 and $30,000, to choose the most appropriate educational opportunity among different institutions. However, revisions are needed in the operation of the programs in order to provide individuals with a parental net income between $12,000 and $15,000 the same degree of choice.

3. The State student-assistance programs provide an important source of tuition and fee revenue for the independent institutions, particularly the selective liberal arts colleges. Seventeen independent colleges receive more than 15 percent of their tuition and fee revenues through State Scholarship and College Opportunity Grant funds. 47/

4. The State student-assistance programs have provided an effective means to facilitate the enrollment of ethnic minorities in four-year educational institutions. The independent institutions demonstrate a significant enrollment of Chicano and Black students, and this would not have been possible without the State Scholarship, Graduate Fellowship, and COG programs.

Federal Student Assistance Programs

One of the purposes of the State student-assistance programs is to "complement and supplement the purposes of federal student assistance programs so as to enhance the effectiveness of State programs." During the past ten years, these federal student aid programs have expanded dramatically, with the United States Office of Education (USOE) sponsoring five basic programs: Basic Educational Opportunity Grants (BEOG), Supplemental Educational Opportunity Grants (SEOG), College Work Study Program (CWS), National Direct Student Loan Program (NDSL), and the Guaranteed Student Loan Program (GSL). Each of these programs distributes funds to students on the basis of financial need, with the objective of providing low-income students the opportunity to attend college.

The following table provides a brief description of the programs and their funding levels in Fiscal Years 1972-1978. (See Table 24.)

Basic Educational Opportunity Grant Program (BEOG)

The Basic Educational Opportunity Grant Program (BEOG) provides the foundation for all other federal and State student-assistance programs. The Program provides needy students with up to $1,600 a year or half the cost of attending the postsecondary institution selected. Eligibility for BEOG is determined on the basis of financial need, with funds distributed to students at individual colleges and universities.

Funding for the BEOG Program has increased dramatically during the past four years, with approximately $1,538 million allocated in 1976-77. Since the primary purpose of the Program is to maximize the postsecondary options for low-income students, no limitations have been placed on the amount of funds that can be received by institutions within a particular state, or to a state within the nation as a whole. California received approximately $64 million in 1976-77 (9 percent of the annual federal allocation), with the independent colleges in California receiving approximately $10 million of that total.

The BEOG Program is the most highly funded and utilized federal student aid program. Given the size of this Program, and its stated purpose of providing a grant to all students in need of funds to attend eligible institutions, the BEOG Program provides the foundation for all of the State's student-assistance programs.

Supplemental Educational Opportunity Grants (SEOG)

The Supplemental Educational Opportunity Program (SEOG) provides funds to "exceptionally needy" undergraduate and vocational students who are enrolled at least half-time. SEOG grants are intended to supplement BEOG funds, with students able to receive between $200 and $1,500 per year up to a maximum of $4,000 for four years of study. SEOG funds are allocated directly to the institution, which then distributes the awards among its eligible students.

Since 1974, the federal government has distributed approximately $26 million in SEOG funds annually to postsecondary institutions in California, with the independent sector receiving approximately 17 percent of the annual amount. The following table summarizes the funding history of this program:

Table 24

OVERVIEW OF STUDENT AID PROGRAMS

Program	Authorized Activities	Eligible Students	FY1972 Appropriation 1972-73 Program Year Funding (millions of dollars)	Students Served	FY1973 Appropriation 1973-74 Program Year Funding (millions of dollars)	Students Served	FY1974 Appropriation 1974-75 Program Year Funding (millions of dollars)	Students Served	FY1975 Appropriation 1975-76 Program Year Funding (millions of dollars)	FY1976 Appropriation 1976-77 Program Year Funding (millions of dollars)	FY1977 Appropriation 1977-78 Program Year Funding (millions of dollars)
Supplemental Education Opportunity Grant Program (SEOG)	. Allots funds to postsecondary institutions for student assistance based on State allocations	Primarily for students with "exceptional financial need"	$210.3	383,300	$210.3	304,000	$210.3	304,000	$260.3	$ 240.0	$ 230.1
College Work Study Program (CWS)	. Allots funds (80% federal/20% institutional) by State formula to postsecondary institutions for student assistance	Primarily for students with the "greatest financial need"	272.7	680,000	270.2	560,000	270.2	560,000	270.2	390.0	390.0
National Direct Student Loan Program (NDSL)	. Allots funds (90% federal/10% institutional) to postsecondary institutions by means of a State formula for loans to students	Primarily for students with financial need not met by other sources	286.0	614,700	286.0	634,500	286.0	674,000	293.0	321.0	323.2
Guaranteed Student Loan Program (GSL)	. Provides for private loans to students with guarantees by the federal government for default	All students are eligible	200.0	901,000 New Loans	245.0	890,000 New Loans	315.0	979,000 New Loans	--	--	--
Basic Education Opportunity Grant Program (BEOG)	. Foundation for all federal student assistance . Direct aid to students . Pays (when fully funded) $1,000 minus the family contribution, or ½ of the cost of instruction, whichever is less	All students are eligible subject to the size of the family contribution. HEW determines eligibility/ expected family contribution. Institutions allocates funds on that basis	0	0	122.1	425,000	475.0	1,000,000	500.0	1,530.0	2,000.0
State Student Incentive Grant Program (SSIG)	. Provides federal and State funds (50-50 basis) to encourage states to establish or expand student aid programs	Primarily for students with "substantial financial need"	0	0	0	0	19.0	76,000	20.0	20.0	60.0
Total Programs	(Note: Total students served include students who participate in more than one program; unduplicated count is not available)		968.5	1,884,500	1,133.6	2,803,500	1,575.5	3,593,000	--	--	--

Sources: Descriptive information and data for FY1972-FY1976 from Lee, John B., et al., Student Aid: Description and Options. Stanford Research Institute, October 1975.
Data for FY1975 and FY1976 from Jerry Croft, U.S. Office of Education, District 13, San Francisco.

CALIFORNIA STATE TOTAL OF FUNDS
ALLOCATED UNDER THE SEOG PROGRAM

FY 1974		
All California Institutions	$23,695,266	
Independent Institutions	4,134,210	(17%)
FY 1975		
All California Institutions	$23,201,322	
Independent Institutions	3,720,473	(16%)
FY 1976		
All California Institutions	$26,353,071	
Independent Institutions	4,259,393	(17%)
FY 1977		
All California Institutions	$26,834,309	
Independent Institutions	4,259,393	(16%)
FY 1978		
All California Institutions	$27,515,486	
Independent Institutions	4,878,264	(18%)

College Work Study Program (CWS)

The College Work Study Program (CWS) is a cost-shared program of federal and institutional support (80-20) for part-time employment of students attending eligible institutions. The Program provides wages for up to twenty hours of work per week during the academic year, and forty hours per week during vacations, with the institutions to select those students with the greatest financial need. CWS funds are allocated directly to the institution, with each participating institution deciding how to distribute the jobs among the students eligible.

The federal government has significantly increased the funding available for the CWS Program during the past three years. During Fiscal Years 1972 through 1975, approximately $270 million was appropriated annually. In Fiscal Year 1976, this amount was increased to $390 million, and the appropriation has remained at that level in the past two years. The postsecondary institutions in California have received approximately $34 million in CWS funds during each of the past three years, with the independent sector receiving approximately 17 percent of the total. The following table summarizes the funding history of the CWS program:

CALIFORNIA STATE TOTAL OF FUNDS
ALLOCATED UNDER THE CWS PROGRAM
(Federal Share)

FY 1974		
All California Institutions	$24,361,886	
Independent Institutions	3,734,476	(15%)
FY 1975		
All California Institutions	$23,236,895	
Independent Institutions	3,341,036	(14%)
FY 1976		
All California Institutions	$36,465,937	
Independent Institutions	5,942,129	(16%)
FY 1977		
All California Institutions	$34,932,853	
Independent Institutions	6,284,522	(18%)
FY 1978		
All California Institutions	$33,777,217	
Independent Institutions	5,882,742	(17%)

National Direct Student Loan Program (NDSL)

The National Direct Student Loan Program (NDSL) provides direct loans to financially needy students attending eligible postsecondary institutions. Loans up to $2,500 are available to students enrolled in the first two years of an undergraduate program, and up to $5,000 for the second two years, with the aggregate loan not to exceed $10,000. The federal government contributes 90 percent of the principal necessary to establish a revolving fund at each participating institution, with the institutions contributing the remaining 10 percent. Students are expected to begin repayment of the loans after completing their undergraduate studies.

The federal government has allocated approximately $300 million to the NDSL program each year since 1974. California postsecondary institutions annually receive more than $30 million in NDSL funds, with the independent sector receiving approximately 25 percent of the total. The following table summarizes the funding history of this program:

CALIFORNIA STATE TOTAL OF FUNDS
ALLOCATED UNDER THE NDSL PROGRAM

FY 1974		
All California Institutions	$30,908,133	
Independent Institutions	7,173,019	(23%)
FY 1975		
All California Institutions	$31,122,494	
Independent Institutions	6,787,639	(22%)
FY 1976		
All California Institutions	$34,257,383	
Independent Institutions	7,792,835	(23%)
FY 1977		
All California Institutions	$34,783,069	
Independent Institutions	7,715,790	(22%)
FY 1978		
All California Institutions	$33,523,528	
Independent Institutions	8,707,975	(26%)

Guaranteed Student Loan Program (GSL)

The Guaranteed Student Loan Program provides low-interest loans of up to $2,500 per year for students enrolled at least half-time in eligible institutions. Loans are made by banks and other commercial lending agencies, with the loans insured by the federal government. For students with annual family incomes below $25,000 the government pays the interest while the students are attending college. After they finish college (or drop out), borrowers have ten years to repay the loans. The funds are allocated on a direct, individual-case basis, with no state allotment or institutional allocation process.

Recent data are not available concerning the amount of GSL funding received by students attending independent colleges in California. However, in Fiscal Year 1973, the independent sector received approximately $7.5 million of the GSL loans received by California students. 48/

California is now in the process of establishing a State Guaranteed Loan Program. Following passage of Assembly Bill 647 (Vasconcellos) in September 1977 (Chapter 1201, Statutes of 1977), the Student Aid Commission received a $2 million loan from the

General Fund for Fiscal Years 1977-78, 1978-79, and 1979-80 to be used for administrative startup costs and for the "purpose of purchasing for collection defaulted loans from lending agencies." 49/

State Student Incentive Grant Program (SSIG)

The State Student Incentive Grant Program provides matching federal grants to states to encourage them to establish or expand their own assistance programs for "substantially needy" students attending eligible institutions of postsecondary education. Low- and middle-income students are eligible to receive grants of up to $1,500 a year, half of which is provided by the State.

During the past four years, the federal allocation to California of SSIG funds has increased more than 300 percent.

FEDERAL SSIG FUNDS TO THE
CALIFORNIA STUDENT AID COMMISSION

1974-1975	1975-1976	1976-1977	1977-1978
$2,757,360	$3,137,300	$6,887,231	$9,619,419

Impact of Federal Student Assistance Programs

An assessment of the impact of the federally funded student-assistance programs on the independent institutions of California offers the following conclusions:

1. The federal student-assistance programs are an important source of revenue for the independent sector in California. Almost $20 million is received annually by the State's independent colleges through the SEOG, CWS, and NDSL programs, and utilized to assist needy students. BEOG grants annually bring an additional $10 million in revenue to needy students attending independent colleges.

2. The federal student-assistance programs, particularly BEOG, provide the major source of revenue for meeting the financial needs of low-income students. These programs provide approximately $160 million annually to be utilized in California postsecondary institutions for expanded educational opportunities for needy students. Accordingly, the federal programs provide an effective means for facilitating the enrollment of low-income students in independent colleges.

Table 25

FEDERAL STUDENT ASSISTANCE FUNDS - CALIFORNIA APPROPRIATION
1974 - 1978

Year	Program	Total Dollars Appropriated - Calif.	Total Dollars - Calif. Independent Inst.	Percent of Calif. Total to Indep.
1974	NDSL	$30,908,133	$ 7,173,619	23%
	SEOG	23,695,226	4,134,210	17
	CWS	24,361,886	3,734,476	15
	Total	$78,965,245	$15,042,305	19%
1975	NDSL	$31,122,494	$ 6,787,639	22%
	SEOG	23,201,322	3,720,473	16
	CWS	23,236,895	3,341,036	14
	Total	$77,560,711	$13,849,148	18%
1976	NDSL	$34,257,383	$ 7,792,835	23%
	SEOG	26,353,071	4,592,469	17
	CWS	36,465,937	5,942,129	16
	Total	$97,076,391	$18,327,433	19%
1977	NDSL	$34,783,069	$ 7,715,790	22%
	SEOG	26,834,309	4,259,393	16
	CWS	34,932,853	6,284,522	18
	Total	$96,550,231	$18,259,705	19%
1978	NDSL	$33,523,528	$8,707,975	26%
	SEOG	27,515,486	4,878,264	18
	CWS	33,777,217	5,882,742	17
	Total	$94,816,231	$19,468,981	19%

Source: Robert Coates, Division of Student Financial Aid, Bureau of Student Financial Assistance, Office of Education, DHEW, Washington, D.C.

3. During the past five years, the independent sector has consistently received 19 percent of the SEOG, NDSL, and CWS funds annually allocated to California postsecondary education. This record indicates the success of the independent colleges in competing for federal allocations to be used in the education of low-income students.

Indirect Financial Assistance Programs

Contracts with Medical Schools

In 1971, through the passage of Senate Bill 1284 (Grunsky), 50/ the State Scholarship and Loan Commission was authorized "to enter into contracts with private colleges and universities maintaining medical schools . . . for the purpose of inducing them to increase enrollment." The intent of this program, as stated by the Legislature, was to increase California's supply of qualified physicians and surgeons by utilizing the facilities, equipment, and personnel of the State's independent medical schools, which "are capable of increasing enrollment in such programs at a cost substantially below that which it would cost the State to provide such services." 51/

Under this program, the State was to reimburse independent medical schools which admitted additional students above a certain level. The school would receive $12,000 per additional new student (above the enrollment level for the 1970-71 academic year) enrolled per year in physician and surgeon programs. The medical schools at Stanford University, University of Southern California, and Loma Linda University participated in this program. When questions arose concerning Loma Linda's practice of giving employment preference to members of the Seventh-Day Adventist Church, with which it is directly affiliated, the Student Aid Commission requested an Attorney General's opinion on the matter. The result was as follows:

> On April 14, 1975, the Commission received an Attorney General's opinion stating that although Chapter 1282 (special legislation for Loma Linda) was intended to retroactively qualify Loma Linda Medical School for payments under the medical contract program, such payments would violate the California Constitution. Because the unconstitutional argument seemed much broader than just the Loma Linda problem, we addressed several questions to the Legislative Counsel for clarification. The reply, received June 27, 1975, indicated all State payments to all medical schools under this program are unconstitutional. 52/

The Constitutional provisions prohibiting the use of public money for the support of any private school have been interpreted by the Attorney General to preclude continuation of this program. Stanford University has since applied to the State Board of Control for payment of contract costs for the second year of the program. This application was denied, and in August 1977, Stanford filed a suit against the State in the State Supreme Court. The suit was remanded to the Third District Court of Appeals, which denied the appeal. Stanford University is expected to appeal this decision to the State Supreme Court. No payments have been made to any independent medical schools under the contract program in the past year.

A somewhat similar program was established through the Song-Brown Family Physician Training Act, which authorized contracts with accredited public and independent medical schools and is funded annually through special legislation. 53/ Contracts for medical students under the Song-Brown Act can be made only "with colleges and universities which operate a department or program of family practice medicine and which sponsor a program of family practice residencies." The Song-Brown Family Physician Training Program was created to "increase the number of students and residents receiving quality education and training in the specialty of family practice and to maximize the delivery of primary care family physician services."

Some independent institutions which operate programs in conjunction with public postsecondary universities currently receive State funding. The Charles R. Drew Postgraduate Medical School and the California College of Podiatric Medicine 54/ receive appropriations annually in the University of California budget. Both of these programs are funded in the Public Service section of the University of California budget, with the funding in 1977-78 at approximately $2.7 million.

The expression of intent in the enabling legislation for these three programs is similar to that presented in the Medical Students Contract Program, 55/ which has been declared unconstitutional. In passing the Song-Brown Family Physician Training Act, the Legislature declared "that it is to the benefit of the State to assist in increasing the number of competent family physicians graduated by colleges and universities of this State to provide primary health care services to families within the State." 56/ The Legislature stated that "the activities of the Charles R. Drew Postgraduate Medical School provide a valuable service to the people of California . . . all of which serve to enhance the health and access to health services of residents of Los Angeles and the entire State of California." 57/ In the case of the California College of Podiatric Medicine, the Legislature found "that the activities of the California

College of Podiatric Medicine provide a valuable service to the people of the State of California by operating the only clinical and basic science programs to train students and residents in podiatric medicine in the State." 58/ Legislation establishing the Medical Students Contract Program states that "the Legislature further declares that it is to the benefit of the State to assist in increasing the number of competent physicians and surgeons graduated by colleges and universities of this State to practice medicine within the State." 59/

In addition to similar expressions of intent, the enabling legislation for each of these programs provides for their operation in conjunction with or under the authority of a State entity. The University of California receives funding for activities performed in conjunction with the Charles R. Drew Postgraduate Medical School and the California College of Podiatric Medicine. The Song-Brown Act created the Health Manpower Policy Commission responsible for the development and implementation of contract criteria as well as for coordination and review of policy on family medicine education. The Student Aid Commission was granted similar authority over and responsibility for the Medical Students Contract Program.

The Attorney General's Office has determined that the Medical Students Contract Program should be terminated because it violates the Constitutional provisions prohibiting the use of public money for the support of nonpublic postsecondary institutions. State support of the two private, nonprofit schools, as discussed above, apparently has avoided this Constitutional restriction by funding activities through the University of California budget.

Educational Facilities Authority

The California Educational Facilities Authority (CEFA) was established in 1973 to provide independent institutions "an additional means by which to expand, enlarge and establish dormitory, academic, and related facilities, to finance such facilities, and to refinance existing facilities." 60/ CEFA has the authority to work with independent institutions to facilitate the issuance of bonds to be utilized in financing the construction of such facilities. To be eligible, the independent institution must be financially stable, maintain a nonsectarian educational program, employ a financial consultant, and maintain bond counsel. Thus far nine institutions have utilized this program:

Stanford University	$16.9 million/$18.1 million
University of the Pacific	7.5 million
California Lutheran College	1.8 million
Santa Clara University	4.0 million
San Francisco Conservatory of Music	1.2 million
Loyola Marymount University	1.1 million/4.7 million
University of Southern California	18.7 million
Pepperdine University	7.5 million
Southwestern University School of Law	3.0 million
University of San Diego	2.9 million

Exemption from Taxation

Independent colleges and universities are exempt from property taxation. The California Constitution (as amended in 1914) provides that any educational institution of collegiate grade, within the State of California, shall hold exempt from taxation its buildings and equipment, its grounds within which its buildings are located, not exceeding one hundred acres in area, its securities and income used exclusively for the purposes of education. 61/ In 1962, the Constitution was amended to eliminate the phrase "not exceeding one hundred acres in area."

This tax exempt status is an indirect source of revenue for the independent institutions, since it provides for tax dollars which are retained by the institution and not paid to the State. A report prepared for the Joint Committee on the Master Plan for Higher Education, dated January 1973, stated that without this property tax exemption independent institutions would be subject to $12.5 million in State taxes per year. 62/ That estimate, if roughly accurate in 1973, would be considerably higher today. The exemption also covers land held and dedicated for future educational uses. However, the exemption does not prevent local governments from putting pressure on independent colleges to make some form of payment in lieu of taxes.

Right of Eminent Domain

Independent colleges and universities which have become "land-locked" have been granted the right of eminent domain so that they may obtain needed additional property for educational purposes. The California Code of Civil Procedure was amended in 1929 to provide that "any institution within the State of California which is exempt from taxation under the provisions of Section 1-a of Article

XIII of the Constitution" has the right of eminent domain. The legality of this right was upheld subsequently in University of Southern California vs. Robbins (1934). Several independent colleges have utilized this right during the past forty years to secure needed property. It should be emphasized, however, that when the right is used, the institution must pay the appraised value of the property acquired.

CHAPTER 4

FINANCIAL CONDITIONS OF INDEPENDENT CALIFORNIA COLLEGES

Study and Method

All of the independent colleges and universities in California were invited to participate in the Commission assessment of the financial condition of independent institutions. In preparing this assessment Commission staff utilized the following sources of information:

1. Higher Education General Information Survey (HEGIS)
2. Audited financial statements provided by the institutions
3. Questionnaire prepared by Commission staff
4. Measures of Financial Condition (provided by AICCU)

Institutions were grouped according to the following classifications:

Group I	Doctoral Granting Universities
Group II	Comprehensive Universities and Colleges
Group III	Liberal Arts Colleges I (with selective admission standards)
Group IV	Liberal Arts Colleges II (all other liberal arts colleges, enrollments over 1,000)
Group V	Liberal Arts Colleges III (all other liberal arts colleges, enrollments under 1,000)
Group VI	Specialized Institutions
Group VII	New, Nontraditional Institutions
Group VIII	Bible Colleges and Schools of Theology
Group IX	Law Schools (not accredited by the American Bar Association)

As might be expected, the rate of response by the participating institutions varied widely in providing the materials and information requested by Commission staff. Institutions in Groups I through V generally have a more sophisticated method of record keeping than institutions in Groups VII through IX, and consequently are in a better position to provide the necessary comparable data.

The basic question to be answered in this section is: In what ways, and to what extent, are California independent colleges and universities gaining ground, holding their own, or losing ground? The analysis is made at three levels: (1) general trends for all independent institutions; (2) comparative trends for different types of institutions; and (3) estimates of the overall condition of each institution in the survey. Consideration is given to both the financial and the educational health of the independent institutions, with the following general criteria used: (1) ability to attract and retain students, (2) ability to attract and retain faculty, (3) ability to sustain a workable operating budget, (4) ability to sustain long-range financial stability, and (5) ability to maintain and improve the quality of educational program.

Approximately 30 percent of the independent colleges and universities responded to a lengthy questionnaire prepared by the Commission staff. This questionnaire was the primary source of information concerning students, faculty, administrative and nonacademic staff.

Approximately 25 percent of the independent institutions supplied audited financial statements, which were utilized in the analysis of operating revenues and expenditures. This group enrolls 85 percent of all students attending independent institutions, and represents the major independent colleges and universities in California. The institutions included in this assessment are:

Group I: Doctoral Granting Universities (35%)*

California Institute of Technology
Claremont Graduate School
Stanford University
University of Southern California

Group II: Comprehensive Universities and Colleges (28%)

Loma Linda University
Loyola Marymount University
Pepperdine University
University of San Diego
University of San Francisco
University of Santa Clara

Group III: Liberal Arts Colleges I (9%)

Claremont Men's College
Harvey Mudd College
Mills College
Occidental College
Pitzer College
Pomona College
Scripps College
University of Redlands
Whittier College

Group IV: Liberal Arts Colleges II (13%)

Azusa Pacific College
California Lutheran College
Chapman College
La Verne College
Los Angeles Baptist College
Mount St. Mary's College
Pacific Union College
Point Loma College
St. Mary's College of California
Westmont College

Group V: Liberal Arts Colleges III (3%)

College of Notre Dame
Dominican College of San Rafael
Holy Names College
Immaculate Heart College
Marymount Palo Verdes College
Pacific Christian College
Simpson College
Thomas Aquinas College

Group VI: Specialized Institutions (4%)

Art Center College of Design
California Institute of the Arts
California Institute of Transpersonal Psychology
Cogswell College
Humanistic Psychology Institute
Humphreys College
Johnston College
National University
Rosemead Graduate School of Psychology
San Francisco Art Institute
San Francisco Conservatory of Music
West Coast University

Group VII: New, Non-traditional Institutions (1%)

City University of Los Angeles
Common College
John F. Kennedy University
Laurence University
New College of California
Universidad de Campesinos Libres

Group VIII: Bible Colleges and Schools of Theology (3%)

Berean Bible College
Bethany Bible College
California Christian College
California Christian University
Graduate Theological Union
Hebrew Union College
Holy Family College
Latin American Bible Institute
L.I.F.E. Bible College
Melodyland School of Theology
Nyingma Institute
Pacific School of Religion
Patten Bible College
Queen of the Holy Rosary College
San Diego Bible College
San Jose Bible College
Southern California Bible College
University of Judaism
West Coast Bible College
World University

Group IX: Law Schools (4%)

Cabrillo Pacific University
Lincoln University
Mid-Valley College of Law
San Joaquin College of Law
South Bay University College of Law
Western State University College of Law - Fullerton
Western State University College of Law - San Diego

*Numbers in the parentheses indicate approximate percentage enrollment in each group of all institutions included in this assessment. Groups I-VI are categories utilized by the Association of Independent California Colleges and Universities, and Groups I-V include only AICCU member institutions.

Enrollment and Admissions

One of the most obvious indicators of the financial health of an institution is its capacity to attract and hold a budgeted number of students. The independent colleges have generally maintained steady enrollment levels during the past seven years. Enrollments dropped in 1971 and 1972, but during the following three years they increased generally. 63/

Change in Enrollments at Independent Institutions
Fall 1970 through Fall 1975

	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
ALL GROUPS OF INDEPENDENT INSTITUTIONS						
Lower Division	100	96	96	99	101	103
Upper Division	100	99	98	100	101	106
Undergraduate Total	100	97	97	99	101	104
Post-Baccalaureate Total	100	92	87	93	96	112
GRAND TOTAL	100	97	95	98	101	108

(NOTE: Index Numbers: Fall 1970 = 100)

The degree of change in enrollment levels has varied considerably among the different groups of independent institutions. (See Table 26.) The Comprehensive Universities and Colleges, the Liberal Arts Colleges II (with enrollments over 1,000), and the Law Schools have experienced the most significant growth in total enrollment, while the Liberal Arts Colleges I (with selective admission standards), the Specialized Institutions, and the Bible Colleges and Schools of Theology have experienced a decline in total enrollment.

Independent institutions in California are experiencing many of the same general enrollment trends as independent institutions nationwide. 64/ During the past six years, the rate of enrollment growth has been the same in California and nationwide. The area of most rapid enrollment growth has been at the post-baccalaureate level, 65/ particularly within the Comprehensive University and Colleges and the Liberal Arts Colleges II (with enrollments over 1,000). A decreasing proportion of the total student body is undergraduate. (See Table 27.) While the Doctoral Granting Universities have increased the proportion of undergraduate students, all other types of independent institutions have gradually increased their percentage enrollment of post-baccalaureate students. 66/ There has also been a slight increase in the proportion of part-time degree students in the undergraduate student body.

(See Table 28.) Liberal Arts Colleges II and III (with enrollments over 1,000 and under 1,000, respectively) have demonstrated the largest increase in part-time undergraduate enrollment, while the Doctoral Granting Universities and the Liberal Arts Colleges I (with selective admission standards) have continued to maintain a high percent (95-97%) of full-time undergraduate enrollment.

An important trend in the independent sector is the growing number of students who are not candidates for a degree or other formal award although taking courses in regular classes with other students. The small Liberal Arts Colleges III (with enrollments under 1,000) have significantly expanded their enrollment in this area. While these institutions have experienced a reduction in both undergraduate and post-baccalaureate students, they have increased their enrollment of special students in nondegree programs and thereby helped to maintain stability in total enrollment levels.

There has been a significant reduction in the number of completed applications for admission received by the independent institutions during the past five years. (See Table 29.) Liberal Arts Colleges I (with selective admission standards), Specialized Institutions, and Bible Colleges and Schools of Theology have experienced the largest reductions in this area. There was a slight gain in the number of new freshman students enrolled by the independent institutions from Fall 1971 through Fall 1975, although the Bible Colleges and Schools of Theology enrollments have declined in this area. The Doctoral Granting Universities have had a dramatic increase in the number of new freshman students enrolled.

While the independent institutions have experienced a significant reduction in the number of applications for admission, this same trend has occurred in the public four-year institutions in California. In both the University of California and the California State University and Colleges, freshman applications have decreased by approximately 10 percent over the past four years. The public segments also experienced an increase in the number of new freshman students from Fall 1971 through Fall 1975, although the rate of increase has been somewhat slower than for independent institutions.

EXPERIENCE OF PUBLIC AND INDEPENDENT COLLEGES IN THE RECRUITMENT AND ADMISSION OF STUDENTS, FALL 1971 THROUGH FALL 1975
(Index Numbers: Fall 1973 = 100)

	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Applications Received: Freshman					
Independent Colleges		105	100	95	91
University of California			100	91	92
State University and Colleges		110	100	99	101
New Students Offered Admission					
Independent Colleges	99	101	100	98	86
University of California			100	102	104
State University and Colleges		102	100	102	101
New Students Actually Enrolled					
Independent Colleges	86	92	100	101	99
University of California			100	101	108
State University and Colleges		99	100	104	106

There is evidence to suggest that independent institutions may have become somewhat less selective in their admissions during the past five years; the number of freshman applicants has decreased more rapidly than the number of new students offered admission. 67/ Liberal Arts Colleges I (with selective admission standards) demonstrated the largest change in this area, offering admission to 72 percent of the freshmen applicants in Fall 1975, in contrast to 53 percent offered admission in Fall 1970. While the Specialized Institutions have experienced a general reduction in enrollment during the past six years, they appear to be increasingly selective in their admissions. In general, an increasingly larger proportion of those who apply for admission as freshmen actually enroll in independent institutions. (See Table 31.)

Data on admission test scores indicate that any reduction in selectivity in the independent sector has not been extensive. While there has been a decline in the average Scholastic Aptitude Test (SAT) scores of entering freshmen, this decline is not significantly larger than the nationwide decline. (See Table 33.) The average SAT scores for freshmen entering California's independent colleges are approximately 100 points higher than the national average. The Liberal Arts Colleges I have experienced the smallest decline, while the Comprehensive Universities and Colleges have experienced the largest.

Conclusions

Any conclusions concerning the ability of independent institutions to attract students must recognize that many independent colleges establish and maintain ceilings on their enrollments; consequently, they do not attempt to increase the size of their student bodies. While a decrease in enrollment is usually considered to be an undesirable development, a stable enrollment may be the policy objective of the college administration. Given this caveat, the following conclusions may be derived from the information on enrollment and admissions in the independent sector from Fall 1970 through Fall 1976:

1. The independent sector has been successful in maintaining student enrollments during the past seven years. The reduction in enrollment experienced in 1971 and 1972 has been recovered through increased enrollments in the subsequent three years.

2. The relative composition of the student population at independent institutions is changing, with an increase in the number of graduate and professional students, as well as in the number of part-time students at both the undergraduate and graduate levels.

3. Some independent institutions which have experienced a significant drop in undergraduate enrollments have responded by dramatically increasing the number of post-baccalaureate students and/or the number of special academic offerings for students in nondegree programs.

4. From Fall 1970 through Fall 1976, there was a reduction in total (headcount) enrollment at the Liberal Arts Colleges I (with selective admission standards), the Specialized Institutions, and the Bible Colleges and Schools of Theology.

5. Independent institutions have generally experienced a reduction in the number of applications for admission as a freshman. The public four-year institutions have experienced a similar reduction. The Liberal Arts Colleges I (with selective admission standards), the Specialized Institutions, and the Bible Colleges and Schools of Theology have experienced the major drop in the number of these applicants.

6. Selectivity in admissions in the independent sector may have declined slightly. The number of freshman applicants has decreased more rapidly than the number of applicants who are offered admission. In addition, the

average SAT scores of California applicants have declined somewhat more rapidly than the average of scores nationwide. Despite the decline, the average scores for freshmen entering California's independent colleges remain approximately 100 points higher than the national average.

Table 26

OPENING FALL ENROLLMENT, 1970 - 1976
(Index Numbers: Fall 1970 = 100)

	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975	Fall 1976
GROUP I							
Lower Division	100	108	112	116	134	133	129
Upper Division	100	95	93	95	101	127	138
Undergraduate Total	100	101	103	106	118	130	133
Post-Baccalaureate Total	100	92	92	93	96	100	121
GRAND TOTAL	100	96	99	100	109	112	128
GROUP II							
Lower Division	100	99	100	103	104	119	128
Upper Division	100	105	108	103	113	120	113
Undergraduate Total	100	102	104	107	108	120	121
Post-Baccalaureate Total	100	111	110	126	125	196	182
GRAND TOTAL	100	105	108	118	121	149	147
GROUP III							
Lower Division	100	102	99	99	93	93	93
Upper Division		100	99	92	96	95	114
Undergraduate Total	100	100	98	94	94	92	98
Post-Baccalaureate Total	100	77	74	71	92	83	94
GRAND TOTAL	100	102	95	96	97	96	98
GROUP IV							
Lower Division	100	101	102	99	115	107	116
Upper Division	100	98	95	109	122	124	119
Undergraduate Total	100	100	99	103	118	114	117
Post-Baccalaureate Total	100	131	205	291	308	392	241
GRAND TOTAL	100	104	114	129	145	153	135

	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975	Fall 1976
GROUP V							
Lower Division	100	92	92	97	95	94	97
Upper Division	100	87	88	93	101	102	94
Undergraduate Total	100	90	90	95	98	97	95
Post-Baccalaureate Total	100	72	79	86	90	101	78
GRAND TOTAL	100	84	89	95	99	106	101
GROUP VI							
Lower Division	100	92	92	77	81	83	87
Upper Division	100	98	109	86	75	103	95
Undergraduate Total	100	95	99	81	79	92	93
Post-Baccalaureate Total	100	111	108	120	152	165	141
GRAND TOTAL	100	90	90	79	82	94	94
GROUP VIII							
Lower Division	100	94	103	104	96	112	108
Upper Division	100	90	121	85	94	93	97
Undergraduate Total	100	92	111	96	95	104	103
Post-Baccalaureate Total	100	109	76	60	66	80	81
GRAND TOTAL	100	109	103	81	82	92	92
GROUP IX							
Lower Division	100	94	63	130	97	103	135
Upper Division	100	130	172	149	182	261	168
Undergraduate Total	100	111	115	139	137	159	150
Post-Baccalaureate Total		100	107	143	158	176	192
GRAND TOTAL		100	106	138	149	168	177

Note: Enrollment data are for total (headcount) enrollment, and do not include students at any branch campus or extension center in a foreign country or students in noncredit adult education courses. The grand total in each group is not the sum of the undergraduate and post-baccalaureate total since it does not include unclassified students who are not candidates for a degree or other formal award, although they are taking courses in regular classes with other students.

Table 27

CHANGE IN STUDENT "MIX"
PROPORTION OF UNDERGRADUATES TO TOTAL STUDENTS

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Independent Institutions						
Doctoral Granting Universities	48%	50%	51%	52%	52%	54%
Comprehensive Universities and Colleges	60	58	58	56	53	52
Liberal Arts Colleges I	95	93	94	93	91	90
Liberal Arts Colleges II	77	80	78	79	83	78
Liberal Arts Colleges III	77	75	74	74	72	69
Specialized Institutions	81	77	78	73	70	74
New, Non-traditional Institutions	—	—	49	38	32	38
Bible Colleges and Schools of Theology	—	—	—	84	78	78
Law Schools	21	20	23	19	24	18
All Independent Institutions	78	77	75	72	70	70
University of California	—	—	71	72	72	72
California State University and Colleges	—	—	78	78	77	77

Note: This proportion is determined for the independent institutions by dividing the total (headcount) number of undergraduate students by the total (headcount) number of students in undergraduate, post-baccalaureate, and unclassified categories.

The categories of independent institutions include those colleges listed on page 62.

Table 28

CHANGE IN STUDENT "MIX"
PROPORTION OF FULL-TIME UNDERGRADUATES
TO TOTAL UNDERGRADUATES

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Independent Institutions						
Doctoral Granting Universities	96%	97%	97%	96%	93%	95%
Comprehensive Universities and Colleges	82	87	87	86	88	89
Liberal Arts Colleges I	98	98	93	98	97	97
Liberal Arts Colleges II	92	93	90	84	82	83
Liberal Arts Colleges III	84	85	86	82	77	77
Specialized Institutions	88	86	89	86	83	88
New, Non-traditional Institutions	—	—	—	—	—	—
Bible Colleges, and Schools of Theology	74	89	83	75	76	69
Law Schools	—	—	—	—	—	—
All Independent Institutions	87	90	88	85	83	83
University of California	—	—	94.6	94.5	94.6	94.4
California State University and Colleges	—	—	74.2	72.6	71.8	71.2

Note: This proportion is determined by dividing the total (headcount) number of full-time undergraduate students by the total (headcount) number of undergraduate students.

The categories of independent institutions include those colleges listed on page 62.

Table 29

EXPERIENCE OF INDEPENDENT COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF STUDENTS FALL 1971 THROUGH FALL 1975
Continued

	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
GROUP V					
Number of completed applications received for the fall term.					
freshman	100	108	85	103	104
transfer	100	108	85	100	101
Number of new students offered admission for the fall term.					
freshman	100	100	96	101	113
transfer	100	100	110	132	117
Number of new students acutally enrolled for the fall term.					
freshman	100	108	77	92	86
transfer	100	82	114	114	106
GROUP VI					
Number of completed applications received for the fall term.					
freshman	100	107	89	53	52
transfer	100	92	64	54	68
Number of new students offered admission for the fall term.					
freshman	100	79	72	65	98
transfer	100	126	139	118	116
Number of new students actually enrolled for the fall term.					
freshman	100	116	98	115	113
transfer	100	105	92	115	114
GROUP VIII					
Number of completed applications received for the fall term.					
freshman	100	107	98	87	70
transfer					
Number of new students offered admission for the fall term.					
freshman	100	102	91	82	67
transfer					
Number of new students actually enrolled for the fall term.					
freshman	100	95	94	85	78
transfer	100	98	107	80	87
GROUP IX					
Number of completed applications received for the fall term.					
freshman	100	133	165	182	186
transfer	100	79	127	123	105
Number of new students offered admission for the fall term.					
freshman	100	126	140	131	133
transfer	100	63	97	97	97
Number of new students actually enrolled for the fall term.					
freshman	100	125	145	160	153
transfer	100	69	100	119	122

Continued

Table 29

EXPERIENCE OF INDEPENDENT COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF STUDENTS, FALL 1971 THROUGH FALL 1975

(Index Numbers: Fall 1971 = 100)

	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
GROUP I					
Number of completed applications received for the fall term.					
freshman	100	93	97	105	108
transfer	100	80	79	91	112
Number of new students offered admission for the fall term.					
freshman	100	106	108	123	108
transfer	100	99	101	109	133
Number of new students actually enrolled for the fall term.					
freshman	100	105	125	129	144
transfer					
GROUP II					
Number of completed applications received for the fall term.					
freshman		100	96	105	107
transfer		100	98	109	114
Number of new students offered admission for the fall term.					
freshman		100	101	112	111
transfer		100	104	116	129
Number of new students actually enrolled for the fall term.					
freshman		100	99	109	129
transfer		100	103	131	136
GROUP III					
Number of completed applications received for the fall term.					
freshman	100	87	81	80	83
transfer	100	100	94	101	98
Number of new students offered admission for the fall term.					
freshman	100	96	96	95	94
transfer	100	101	96	100	91
Number of new students actually enrolled for the fall term.					
freshman	100	93	96	98	99
transfer	100	99	94	101	96
GROUP IV					
Number of completed applications received for the fall term.					
freshman	100	95	97	112	111
transfer	100	101	117	129	113
Number of new students offered admission for the fall term.					
freshman	100	94	94	109	104
transfer	100	94	105	116	99
Number of new students actually enrolled for the fall term.					
freshman	100	97	106	112	106
transfer	100	101	106	123	118

Continued

Table 29

EXPERIENCE OF INDEPENDENT COLLEGES AND UNIVERSITIES
IN THE RECRUITMENT AND ADMISSION OF STUDENTS,
FALL 1971 THROUGH FALL 1975
Continued

	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
ALL GROUPS					
Number of completed applications received for the fall term.					
freshman		100	95	90	86
transfer		100	96	98	94
Number of new students offered admission for the fall term.					
freshman	100	102	101	99	87
transfer	100	102	108	106	100
Number of new students actually enrolled for the fall term.					
freshman	100	104	113	114	112
transfer	100	104	113	123	133

Table 30

EXPERIENCE OF INDEPENDENT COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF UNDERGRADUATE STUDENTS
1970 - 1975

PROPORTION OF NEW STUDENTS OFFERED ADMISSION TO APPLICATIONS RECEIVED
(First-time Freshmen Only)

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Independent Institutions						
Doctoral Granting Universities	47%	48%	58%	58%	59%	53%
Comprehensive Universities and Colleges	81	79	79	83	84	84
Liberal Arts Colleges I	53	65	70	75	76	72
Liberal Arts Colleges II	80	82	75	78	86	81
Liberal Arts Colleges III	—	—	75	91	80	89
Specialized Institutions	54	45	62	58	50	44
New, Non-traditional Institutions	—	—	—	—	—	—
Bible Colleges and Schools of Theology	—	—	88	89	81	83
Law Schools	—	77	78	73	73	72
All Independent Institutions	68	71	74	76	76	74
University of California	—	—	—	82	92	92
California State University and Colleges	—	61	66	71	73	72

NOTE: The categories of independent institutions include those colleges listed on page 62.

Table 31

EXPERIENCE OF INDEPENDENT COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF UNDERGRADUATE STUDENTS 1970 - 1975

PROPORTION OF NEW STUDENTS ENROLLED TO APPLICATIONS RECEIVED (First-time Freshmen Only)

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Independent Institutions						
Doctoral Granting Universities	23.2%	26.4%	27.6%	30.9%	33.1%	35.1%
Comprehensive Universities and Colleges	47.2	45.3	45.5	46.3	46.7	55.2
Liberal Arts Colleges I	27.0	30.4	32.3	35.9	37.0	35.6
Liberal Arts Colleges II	60.5	57.8	57.0	60.2	61.9	63.2
Liberal Arts Colleges III	-	60.3	60.5	67.4	62.8	65.3
Specialized Institutions	-	22.4	22.4	24.7	31.9	29.3
New, Non-traditional Institutions	-	-	-	-	-	-
Bible Colleges and Schools of Theology	62.6	79.4	65.0	59.7	62.0	70.9
Law Schools	-	61.3	61.4	56.5	56.9	54.8
All Independent Institutions	43.2	45.9	46.6	48.6	50.5	52.8
University of California	-	-		58.3	64.6	67.9
California State University and Colleges	-	39.9	43.2	47.7	50.3	50.3

NOTE: The categories of independent institutions include those colleges listed on page 62.

Table 32

EXPERIENCE OF INDEPENDENT COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF UNDERGRADUATE STUDENTS 1970 - 1975

PROPORTION OF NEW STUDENTS ENROLLED TO NEW STUDENTS OFFERED ADMISSION (First-time Freshmen Only)

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Independent Institutions						
Doctoral Granting Universities	—	57%	51%	55%	57%	65%
Comprehensive Universities and Colleges	58%	57	57	56	56	65
Liberal Arts Colleges I	51	47	48	48	49	50
Liberal Arts Colleges II	65	66	63	67	71	69
Liberal Arts Colleges III	—	—	—	68	69	75
Specialized Institutions	—	64	57	63	72	75
New, Non-traditional Institutions	—	—	—	—	—	—
Bible Colleges and Schools of Theology	73	84	75	69	78	85
Law Schools	—	82	81	81	81	79
All Independent Institutions	—	66	62	63	67	71
University of California	--	--	--	71	70	74
California State University and Colleges	--	66	65	67	69	70

NOTE: The categories of independent institutions include those colleges listed on page 62.

Table 33

SCHOLASTIC APTITUDE TEST (SAT) SCORES
ENTERING FRESHMEN, BY TYPE OF INSTITUTIONS,
1970 - 1975
(Weighted Average Scores)

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Group I						
Verbal	582	575	561	536	549	533
Math	609	613	613	592	601	584
Combined	1191	1188	1174	1128	1150	1117
Index	100	100	99	95	97	94
Group II						
Verbal	503	485	487	479	475	447
Math	521	509	505	511	504	487
Combined	1024	994	992	989	978	933
Index	100	97	97	97	96	91
Group III						
Verbal	580	583	557	552	550	553
Math	596	598	575	569	565	561
Combined	1176	1181	1132	1121	1115	1114
Index	100	100	96	95	95	95
Group IV						
Verbal	497	485	477	472	466	460
Math	506	502	491	494	484	474
Combined	1003	987	968	966	950	936
Index	100	98	97	96	95	93
Group V						
Verbal	479	480	469	456	455	432
Math	468	478	477	464	456	448
Combined	947	958	946	920	911	880
Index	100	101	100	97	96	93
Total Groups I-V						
Verbal	551	540	540	514	515	500
Math	571	565	570	551	548	535
Combined	1122	1105	1110	1065	1063	1035
Index	100	98	99	95	95	93
National Average Scores (comb.)	941	932	924	918	906	903
Index	100	99	98	98	96	96

Faculty and Other Staff

A large portion of the total expenditures at educational institutions are personnel costs. These expenditures can be controlled by adjusting the number of faculty and other staff employed, or their level of compensation, or both. As Table 34 indicates, changes in the number of full-time faculty have varied by group within the independent sector. 68/ Liberal Arts Colleges II (with enrollments over 1,000) and the Comprehensive Universities and Colleges have increased the number of full-time faculty by over 20 percent within the past six years. In contrast, Liberal Arts Colleges III (with enrollments under 1,000) have reduced their full-time faculty by approximately 25 percent. More importantly, only the Liberal Arts Colleges I (with selective admission standards) have increased the number of full-time faculty at a faster rate than the size of their student bodies. Sufficient data are not available for generalizations about numbers of faculty within the independent segment as a whole.

The rate of change in faculty salaries at the independent institutions has not kept pace with the rise in the Consumer Price Index during the past six years. 69/ Moreover, the level of faculty salaries at the independent institutions--at the professor, associate professor, and assistant professor ranks--was significantly lower than the public four-year institutions in Fall 1970. In the following six years, faculty salaries in the public segments grew more rapidly than those in the independent segment. Faculty compensation in both the public and the independent sectors has grown at a slower rate than the Consumer Price Index. Moreover, independent institutions have fallen increasingly behind the public institutions in terms of faculty salaries.

Within the independent sector, the Comprehensive Universities and Colleges have demonstrated the fastest rate of growth in faculty salaries. The Liberal Arts Colleges with enrollments under 1,000 (III) have experienced the most difficulty in improving faculty compensation to keep pace with inflation.

Independent institutions are increasingly utilizing part-time faculty, perhaps as a means of limiting the number of permanent faculty. All types of independent institutions, other than the Comprehensive Universities and Colleges, have a larger proportion of part-time faculty now than they did six years ago. (See Table 36.) 70/

In general, independent institutions have maintained steady employment levels of administrative staff, while decreasing the level of other nonacademic staff during the past five years. (See Table 37.) The exception to this trend is the Liberal Arts Colleges II (with enrollments over 1,000), which generally have increased the number of full-time administrators, clerical, and other nonacademic personnel at a more rapid rate than their growth in either number of

students or faculty. While this development could be related to the expanded need for personnel in fund raising, financial aid services and/or security work, the trend will have negative financial implications if it continues.

The data available concerning faculty turnover and tenure status at independent institutions are incomplete, and any generalizations must be limited. The percent of tenured faculty apparently has been reduced slightly during the past five years, as the number of full-time faculty has grown more rapidly than the number of tenured faculty. 71/ The exception to this trend is the Liberal Arts Colleges I (with selective admission standards), where the number of tenured faculty has grown slightly more rapidly than the number of full-time faculty. The rate of faculty turnover at independent institutions has dropped during the past five years, indicating that fewer new teachers are being added to the faculties each year.

FACULTY TURNOVER AT INDEPENDENT INSTITUTIONS
1971-72 TO 1975-76
(Index Numbers: 1971-72 = 100)

	1971-72	1972-73	1973-74	1974-75	1975-76
Separations	100	118	100	91	91
New Appointments	100	89	94	94	89

Conclusions

The following conclusions can be derived from the information available on faculty and other staff in the independent sector from Fall 1970 through Fall 1975:

1. The rate of growth in the number of full-time faculty has generally been slower than that in the number of students. In response to the need to limit expenditures, the independent institutions, as a group, have apparently increased the ratio of students to faculty. 72/

2. The rate of growth in the salaries of faculty at the independent and the public institutions in California has not kept pace with the rise in the Consumer Price Index. Moreover, the rate of growth in faculty salaries at independent institutions has not kept pace with that at public four-year institutions.

3. While the employment level of full-time administrators has been maintained, there has been a reduction in clerical and other nonacademic staff at independent institutions. The primary area of retrenchment in staff has been concentrated in the latter groups.

4. While there is little evidence of a major retrenchment in faculty staffing, within the independent sector, there is considerable evidence of tight budgets and steady financial erosion, as indicated by the restraint in faculty salary increases and by the cutback in nonacademic staff. This trend is particularly true for the Liberal Arts Colleges III (with enrollments under 1,000). The quality of instruction within the independent sector will inevitably suffer if this trend continues.

Chart 1

RELATIONSHIP OF FACULTY SALARIES TO THE CONSUMER PRICE INDEX
AT CALIFORNIA'S FOUR-YEAR COLLEGES AND UNIVERSITIES 1970-1975

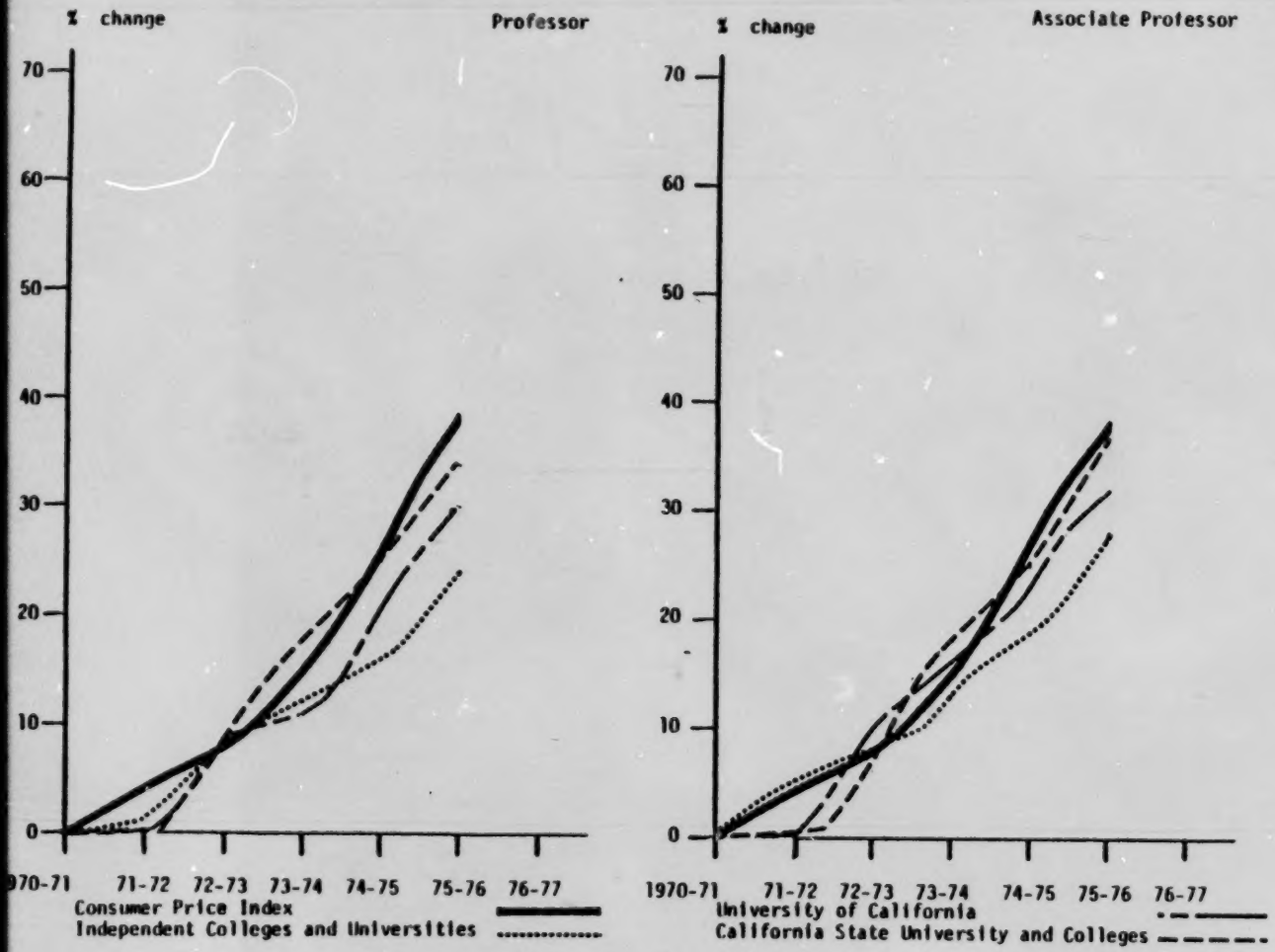


Chart 1

RELATIONSHIP OF FACULTY SALARIES TO THE CONSUMER PRICE INDEX
AT CALIFORNIA'S FOUR-YEAR COLLEGES AND UNIVERSITIES 1970-1975
(Continued)

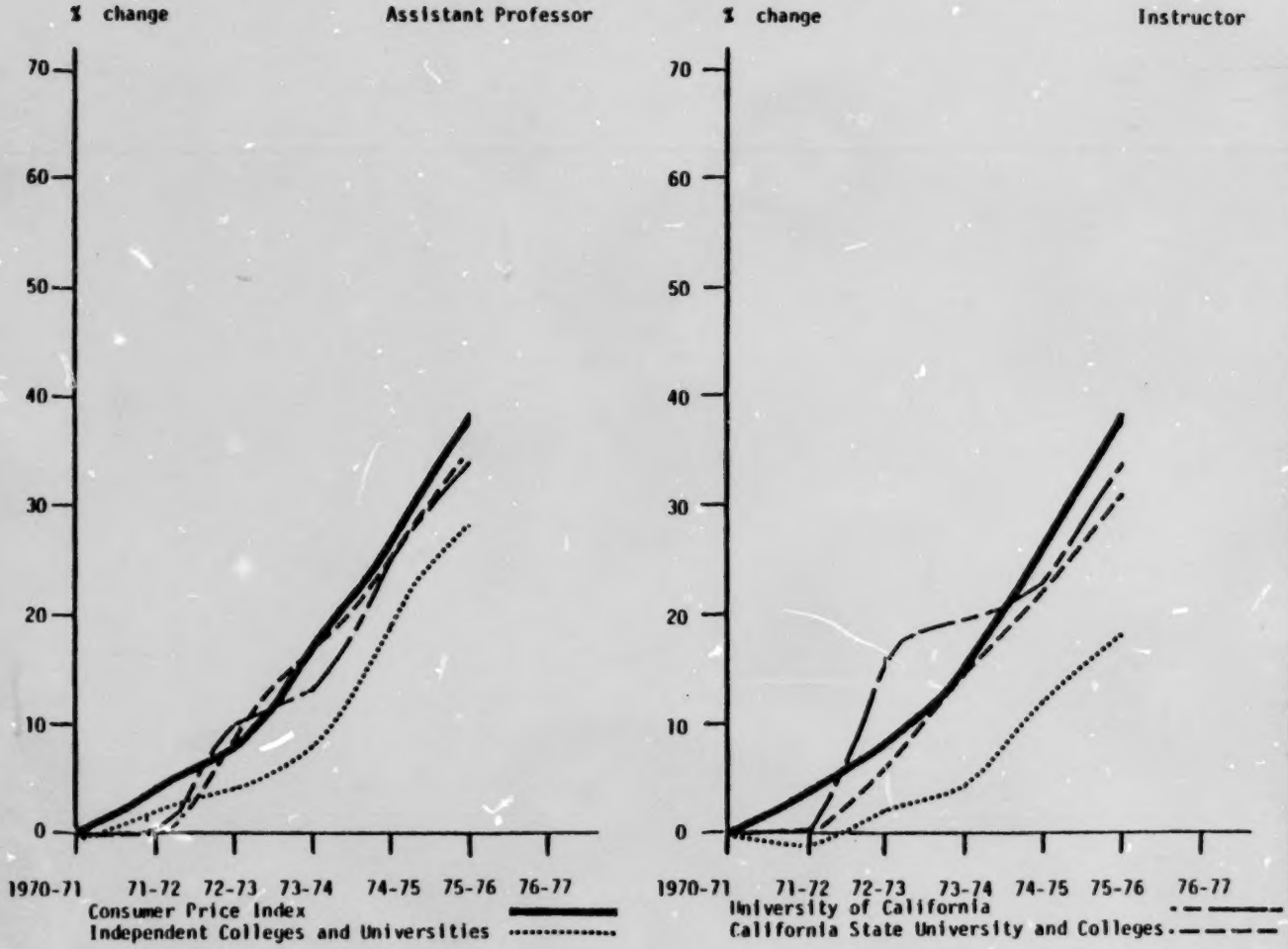
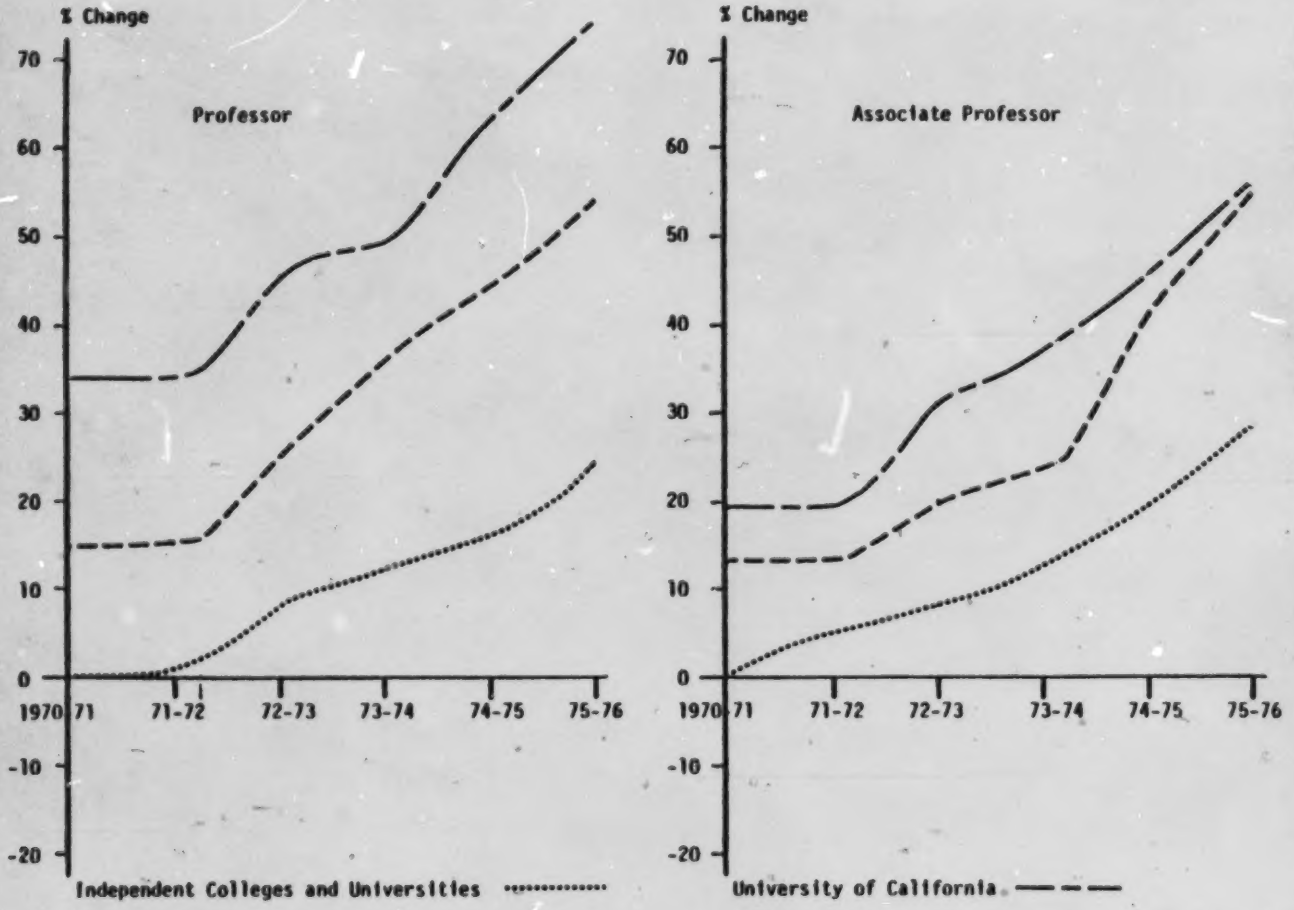


Chart 2

CHANGE IN FACULTY SALARIES AT CALIFORNIA'S FOUR-YEAR COLLEGES AND UNIVERSITIES, 1970-1975



Index: 1970-71 Independent Institutions' Salaries = 0
CSUC and UC salaries pegged to that level.

Chart 2

CHANGES IN FACULTY SALARIES AT CALIFORNIA'S FOUR-YEAR COLLEGES AND UNIVERSITIES, 1970-1975 (Continued)

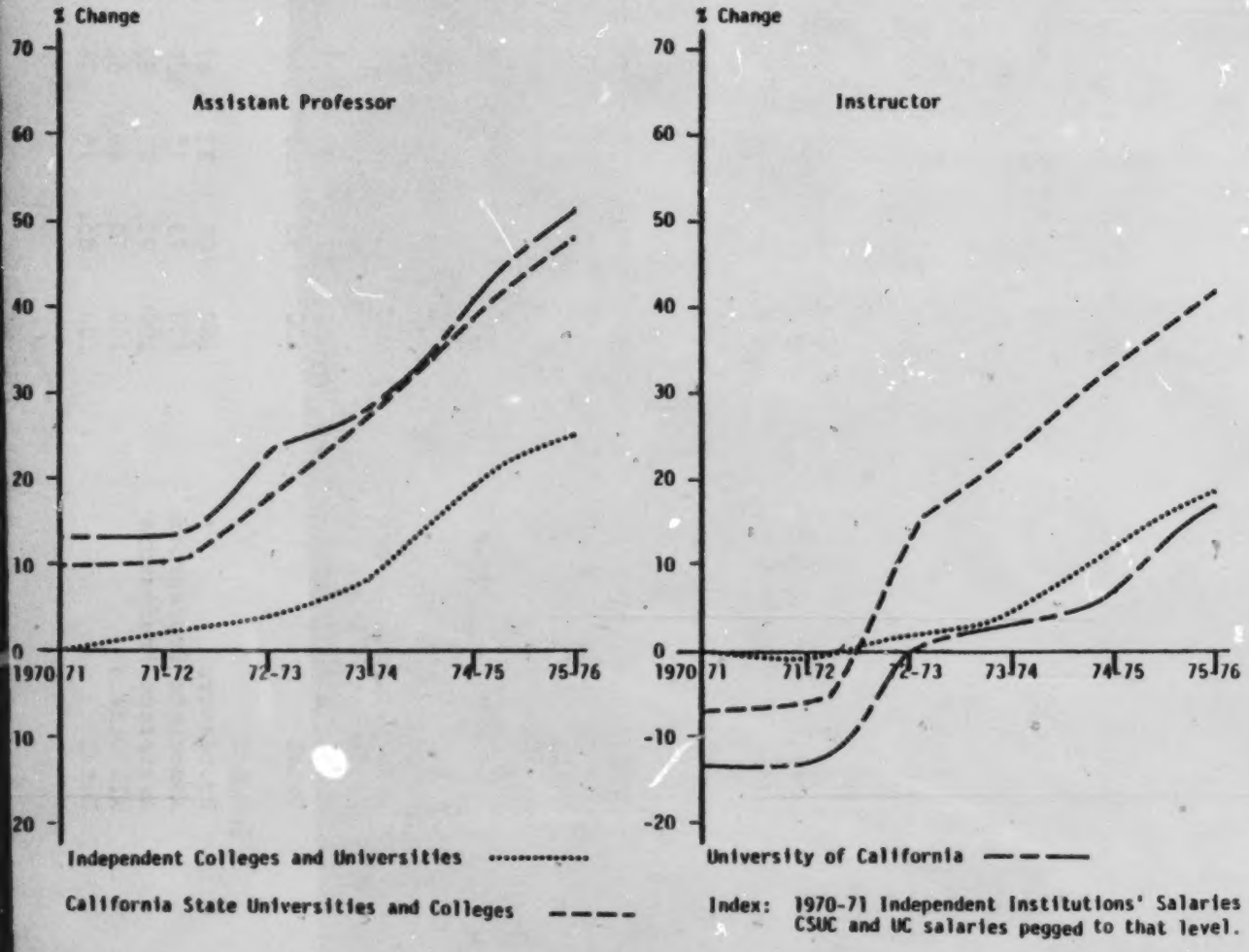


Table 34

CHANGE IN NUMBER OF
FULL-TIME INSTRUCTIONAL FACULTY
(Index Numbers: Fall 1970 = 100)

	FALL 1970	FALL 1971	FALL 1972	FALL 1973	FALL 1974	FALL 1975
Group I						
Professors	100	108	102	100	100	105
Associate Professors	100	108	109	103	102	108
Assistant Professors	—	100	99	93	92	96
All Others	—	—	—	—	—	—
Total	100	118	111	107	106	108
Group II						
Professors	100	118	143	143	139	154
Associate Professors	100	133	122	133	148	148
Assistant Professors	100	116	122	110	112	110
All Others	100	90	90	75	65	75
Total	100	117	129	116	118	121
Group III						
Professors	100	110	115	125	120	125
Associate Professors	100	84	95	89	95	105
Assistant Professors	100	117	113	113	100	100
All Others	100	83	92	67	75	58
Total	100	103	104	103	100	105
Group IV						
Professors	100	113	125	125	125	138
Associate Professors	100	100	100	100	78	133
Assistant Professors	100	93	114	114	121	136
All Others	100	71	86	86	114	114
Total	100	95	108	108	105	126
Group V						
Professors	100	100	83	67	67	67
Associate Professors	100	75	75	100	100	113
Assistant Professors	100	92	83	83	67	75
All Others	100	70	60	50	50	40
Total	100	85	76	76	70	73

Table 35

CHANGE IN FACULTY SALARIES
1970 - 1975
(Index Numbers: Fall 1970 = 100)

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
GROUP I						
Professors	100	101	105	111	115	126
Associate Professors	100	104	106	110	114	125
Assistant Professors	100	100	102	105	108	115
Instructors	100	106	109	117	117	118
GROUP II						
Professors	100	111	121		127	139
Associate Professors	100	113	119		125	134
Assistant Professors	100	108	117		125	132
Instructors	100	99	112		126	126
GROUP III						
Professors	100	105	108	113	118	123
Associate Professors	100	105	106	111	117	123
Assistant Professors	100	105	107	113	118	123
Instructors	100	101	106	113	119	126
CONSUMER PRICE INDEX (Bureau of Labor Statistics)	100	104	108	114	126	138
UNIVERSITY OF CALIFORNIA						
Professors	100		109	111	121	130
Associate Professors	100		110	116	123	132
Assistant Professors	100		110	113	125	134
Instructor	100		116	132	123	134

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
GROUP IV						
Professors	100	104	108	114	118	128
Associate Professors	100	104	107	112	113	125
Assistant Professors	100	104	107	111	116	122
Instructors	100	103	106	108	110	117
GROUP V						
Professors	100	100	103	105	110	119
Associate Professors	100		104	104	107	119
Assistant Professors	100	103	104	110	118	129
Instructors	100	94	95	100	102	117
TOTAL/GROUPS I-V						
Professors	100	101	108	112	116	124
Associate Professors	100	105	108	113	119	128
Assistant Professors	100	102	104	108	119	125
Instructors	100	99	102	104	112	118
CALIFORNIA STATE UNIVERSITY AND COLLEGES						
Professors	100		109	118	125	134
Associate Professors	100		106	118	125	137
Assistant Professors	100		108	117	125	134
Instructors	100		106	115	122	131

Sources: California Coordinating Council for Higher Education, Annual Report of Faculty Salaries and Fringe Benefits, 1971-72, Appendix D.
California Coordinating Council for Higher Education, Annual Report of Faculty Salaries and Benefits at University of California and California State University and Colleges, March 1973.
California Postsecondary Education Commission, Information Digest, 1977.

Table 36

CHANGING FACULTY COMPOSITION
PROPORTION OF FULL-TIME FACULTY TO TOTAL FACULTY
1970 - 1975

	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
Group I	-	-	-	93%	92%	84%
Group II	-	-	74%	74	79	77
Group III	80%	79%	81	78	77	76
Group IV	70	61	64	59	58	-
Group V	54	51	47	40	49	43
Group VI	60	52	48	47	51	35
Group VII	-	36	32	21	20	12
Group VIII	-	60	57	49	52	48
Group IX	-	19	19	-	16	17
All Groups	61	61	57	52	53	49

Table 37

CHANGES IN NUMBER OF ADMINISTRATIVE AND NON-ACADEMIC STAFF, 1971 - 1975
(Index Numbers: Fall 1970 = 100)

	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
Group I					
Full-Time Administrators	—	—	—	—	—
Clerical and Other Non-Academic Staff	100	99	97	97	96
Group II					
Full-Time Administrators	100	104	106	108	120
Clerical and Other Non-Academic Staff	100	107	108	112	—
Group III					
Full-Time Administrators	100	106	103	106	103
Clerical and Other Non-Academic Staff	100	95	93	93	86
Group IV					
Full-Time Administrators	100	113	175	188	213
Clerical and Other Non-Academic Staff	100	112	154	163	190
Group V					
Full-Time Administrators	100	100	108	100	100
Clerical and Other Non-Academic Staff	100	86	82	76	86
All Groups I - IX					
Full-Time Administrators	100	100	119	106	100
Clerical and Other Non-Academic Staff	100	95	91	99	96

Table 38

THE STATUS OF TENURED FACULTY
BY TYPE OF INDEPENDENT INSTITUTION
1971-72 to 1975-76
(Index Numbers: Fall 1970 = 100)

	1971-72	1972-73	1973-74	1974-75	1975-76
Full-Time Faculty with Tenure					
Group I	100	100	102	99	100
Group II	100	-	99	96	103
Group III	100	103	105	108	108
Group IV	100	106	111	100	-
Group V	100	110	110	-	120
Group I-IX	100	95	92	115	115

Operating Revenues and Expenditures

The Commission has contracted with John Minter Associates to provide a detailed analysis of current fund revenues and expenditures of independent institutions in California. 73/ This analysis, to be updated annually, can be expected to provide a reliable indicator of the financial health of the institutions.

The commentary in this section is based upon data provided in John Minter's initial report entitled, California Independent Colleges and Universities: Current Fund Revenue and Expenditures Analysis, which analyzed the financial statements from sixty-eight independent institutions for Fiscal Years 1973-74 and 1974-75. 74/ His report concluded that

> . . . overall in terms of revenues, the independent college industry in California is doing modestly (very modestly) better than the rest of the country. With regard to net revenues, California is also slightly better off, but like the rest of the country, a larger number of institutions turned in decreases rather than increases in net revenues.
>
> The independent sector of California higher education is varied and seems to be vigorous for the most part. Weaknesses do appear among Groups III, IV, and V [the Liberal Arts Colleges], which in 1975 were absorbing net revenue losses. Additional data are required to determine whether these colleges are in a continuing downward trend or whether the downturn is a recent event. 75/

It should be emphasized that the conclusions in this section of the Commission's report are tentative and preliminary in nature, as they are based upon only two years of current fund analysis. As more data become available through the annual update of the financial assessment, these conclusions can be revised and presented with greater certainty.

Current Fund Revenues

During the two-year period, 1973-74 and 1974-75, there was considerable variation in the rate of growth of current fund revenues within the several groups of independent institutions. (See Table 39.) While the average rate of growth for all institutions was 13.3 percent for educational and general revenues and 15.6 percent for total current revenues, 76/ the Bible Colleges and the Law Schools had a considerably larger rate of growth while the Liberal Arts Colleges I and III had a considerably slower rate of growth. 77/ All types of California independent institutions, except Liberal Arts

Colleges I and III (with selective admission standards and with enrollments under 1,000, respectively), had a faster rate of growth in average current fund revenues in 1974 and 1975 than did a sample of independent institutions nationwide. 78/

Except for the Liberal Arts Colleges III (with enrollments under 1,000), all types of independent institutions demonstrated an increase in current fund revenues per FTE student from 1974 to 1975. (See Table 40.) The Liberal Arts Colleges III (with enrollments under 1,000) experienced a slight decrease in educational and general revenues per FTE student (-.4 percent) and a slight increase in total current revenues per FTE student (+.7 percent).

During this two-year period, there were only minor variations in the relative importance of different revenue sources among the types of independent institutions. (See Table 41.) The institutions collectively have not been forced to increase the relative amounts of revenues derived from tuitions and fees. However, four of the groups (Comprehensive Universities and Colleges, Liberal Arts Colleges II [with enrollments over 1,000], Specialized Institutions, and Law Schools) depend upon tuitions and fees for over 75 percent of their total educational and general revenues; therefore, they are highly vulnerable to a sudden reduction in enrollment.

An important factor in the interpretation of current fund revenue statements is the amount of current gifts and grants assigned to current operating revenues. In 1975-76, the nine groups of institutions obtained the following percents of educational and general revenues from private gifts:

Doctoral Granting Universities	10.2%
Comprehensive Universities and Colleges	12.8
Liberal Arts Colleges I	16.7
Liberal Arts Colleges II	14.1
Liberal Arts Colleges III	19.8
Specialized Institutions	8.6
New, Non-traditional Institutions	29.9
Bible Colleges and Schools of Theology	27.1
Law Schools	5.8
All Groups	11.9%

Minter and Bowen argue that

> . . . figures as high as 16 percent, or one-sixth of educational and general revenue may be a sign of financial weakness--except in institutions having large resources or unusually dependable donors of current gifts. Such a high percentage may invite future trouble if economic conditions should worsen or if the attitudes of donors should turn sour. 79/

Institutions which have a small endowment and are highly dependent upon private gifts for current revenues are particularly vulnerable in this area. Many of the new independent institutions are in this position.

Current Fund Expenditures

During 1973-74 and 1974-75, there was considerable variation in the rate of growth of current fund expenditures within the several groups of independent institutions. (See Table 42.) While the average rate of growth for all institutions was 11.9 percent for educational and general expenditures and 14.3 percent for total expenditures and mandatory transfers, the Bible Colleges and Law Schools had a considerably larger rate of growth while the Liberal Arts Colleges III (with enrollments under 1,000) had a considerably smaller rate. 80/ All types of California independent institutions, except Liberal Arts Colleges with selective admission standards (I) and with enrollments under 1,000 (III) had a faster rate of growth in average current fund expenditures in 1974 and 1975 than did a sample of independent institutions nationwide. 81/

All types of independent institutions demonstrated an increase in current fund expenditures per FTE student from 1974 to 1975. (See Table 43.) The Liberal Arts Colleges with enrollments under 1,000 (III) experienced the smallest increase (1.4 percent in educational and general expenditures), while the Bible Colleges and Law Schools experienced the largest increase (19.3 percent in educational and general expenditures).

There is considerable similarity among the groups in patterns of expenditure. (See Table 44.) As might be expected, the Doctoral Granting Universities allocate much more money to research than do other types of institutions. The smaller institutions allocate a larger percent to institutional support, including administrative costs. It is also useful to compare resource allocation in relation to the number of FTE students enrolled. (See Table 45.) The Doctoral Granting Universities have the most money available per student and, consequently, allocate the largest amount in dollars for instruction. Liberal Arts Colleges I (with selective admission standards) allocate the largest amount per student for student services, and are second only to the Doctoral Granting Universities in the per student allocation for scholarships. The Liberal Arts Colleges II and III (with enrollments over 1,000 and with enrollments under 1,000, respectively) and the Bible Colleges and Law Schools are significantly high in debt-service (principal and interest) allocation per student.

A comparison of the changes in the average current fund revenues per FTE student with changes in the average current fund

expenditures per FTE student from 1974 to 1975 indicates that six groups of independent institutions show a greater increase of expenditures than revenues. These groups include Liberal Arts Colleges I, II, and III; Specialized Institutions; Bible Colleges; and Law Schools. The Liberal Arts Colleges I, II, and III demonstrated negative net revenues in 1975, and the Liberal Arts Colleges I (with selective admission standards) having the largest negative net revenue.

Table 39

CHANGE IN AVERAGE CURRENT FUND REVENUES 1975 BY TYPES OF INSTITUTION (Current Dollars)

	1974 ($000's)	1975 ($000's)	Percent Change 1974 to 1975
Group I			
Educational and General Revenues[2]	$ 79,217	$ 88,902	12.2%
Total Current Revenues[3]	106,373	123,574	16.2
Group II			
Educational and General Revenues	14,071	16,614	18.1
Total Current Revenues	21,973	25,923	18.0
Group III			
Educational and General Revenues	4,838	5,164	6.7
Total Current Revenues	6,047	6,461	6.8
Group IV			
Educational and General Revenues	4,062	4,667	14.9
Total Current Revenues	5,395	6,172	14.4
Group V			
Educational and General Revenues	1,426	1,494	4.7
Total Current Revenues	1,875	1,984	5.8
Group VI			
Educational and General Revenues	1,507	1,741	15.5
Total Current Revenues	1,596	1,842	15.5
Group VII			
Educational and General Revenues	227	251	10.8
Total Current Revenues	229	255	11.3
Group VIII and IX			
Educational and General Revenues	456	595	30.6
Total Current Revenues	524	680	29.8
All Groups			
Educational and General Revenues	8,135	9,217	13.3
Total Current Revenues	11,123	12,862	15.6
AAC National Sample[4] (94 Colleges and Universities)			
Educational and General Revenues	—	12,215	9.4
Total Current Revenues	—	15,523	10.0

1. See John Minter Associates, California Independent Colleges and Universities: Current Fund Revenue and Expenditures Analysis, prepared for the California Postsecondary Education Commission (June 1977) for a more detailed consideration of this data.

2. Educational and general revenues include receipts from tuition and fees; governmental appropriations, grants, and contracts; private gifts and grants; endowment income; etc.

3. Includes educational and general revenues plus revenues from auxiliary enterprises.

4. Ibid., p. II-16, Table 21.

Table 40

PERCENT CHANGE IN AVERAGE CURRENT FUND REVENUES
PER FTE STUDENT
BY TYPE OF INSTITUTION
1974 - 1975

	Percent Change 1974 to 1975
Group I	
Educational & General Revenues	+13.8%
Total Current Revenues	+17.8
Group II	
Educational & General Revenues	+11.0
Total Current Revenues	+10.9
Group III	
Educational & General Revenues	+5.5
Total Current Revenues	+5.6
Group IV	
Educational & General Revenues	+9.3
Total Current Revenues	+8.9
Group V	
Educational & General Revenues	-0.4
Total Current Revenues	+0.7
Group VI	
Educational & General Revenues	+13.0
Total Current Revenues	+12.9
Group VII	
Educational & General Revenues	+14.0
Total Current Revenues	+14.4
Group VIII and IX	
Educational & General Revenues	+17.5
Total Current Revenues	+16.7
All Groups	
Educational & General Revenues	+9.9
Total Current Revenues	+12.1

Table 41

PERCENT DISTRIBUTION OF EDUCATIONAL AND GENERAL REVENUES BY TYPE OF INSTITUTION 1974 AND 1975

	1973-1974	1974-1975
Group I		
Tuitions and fees	30.6%	31.1%
Governmental appropriations, grants, and contracts	40.2	40.4
Private gifts and grants	10.2	10.2
Endowment income	8.1	7.4
Other	10.9	10.9
Total, E and G Revenues	100.0	100.0
Group II		
Tuitions and fees	75.6	76.4
Governmental appropriations, grants, and contracts	6.6	5.9
Private gifts and grants	12.5	12.8
Endowment income	0.9	0.8
Other	4.3	4.1
Total, E and G Revenues	100.0	100.0
Group III		
Tuitions and fees	61.9	63.3
Governmental appropriations, grants, and contracts	5.2	5.0
Private gifts and grants	17.6	16.7
Endowment income	10.2	9.7
Other	5.1	5.2
Total, E and G Revenues	100.0	100.0
Group IV		
Tuitions and fees	75.5	75.7
Governmental appropriations, grants, and contracts	4.1	5.3
Private gifts and grants	15.6	14.1
Endowment income	0.7	0.6
Other	4.1	5.3
Total, E and G Revenues	100.0	100.0
Group V		
Tuitions and fees	64.3	68.0
Governmental appropriations, grants, and contracts	3.9	3.8
Private gifts and grants	21.9	19.8
Endowment income	1.1	1.0
Other	9.8	7.4
Total, E and G Revenues	100.0	100.0

(Continued)

Table 41

PERCENT DISTRIBUTION OF EDUCATIONAL AND GENERAL REVENUES BY TYPE OF INSTITUTION 1974 AND 1975 (Continued)

	1973-1974	1974-1975
Group VI		
Tuitions and fees	76.0%	76.1%
Governmental appropriations, grants, and contracts	4.9	5.6
Private gifts and grants	10.5	8.6
Endowment income	0.7	0.6
Other	7.9	9.1
Total, E and G Revenues	100.0	100.0
Group VII		
Tuitions and fees	58.0	67.2
Governmental appropriations, grants, and contracts	11.8	2.0
Private gifts and grants	29.1	29.9
Endowment income	0.0	0.0
Other	1.1	0.9
Total, E and G Revenues	100.0	100.0
Group VIII		
Tuitions and fees	35.5	37.5
Governmental appropriations, grants, and contracts	8.4	7.1
Private gifts and grants	25.2	27.1
Endowment income	22.3	19.5
Other	8.6	8.8
Total, E and G Revenues	100.0	100.0
Group IX		
Tuitions and fees	89.5	83.7
Governmental appropriations, grants and contracts	0.0	5.4
Private gifts and grants	4.9	5.8
Endowment income	0.0	0.0
Other	5.6	5.1
Total, E and G Revenues	100.0	100.0
All Groups		
Tuitions and fees	48.3	49.3
Governmental appropriations, grants, and contracts	25.4	25.3
Private gifts and grants	12.0	11.9
Endowment income	5.9	5.3
Other	8.4	8.2
Total E and G Revenues	100.0%	100.0%

Table 42

CHANGE IN AVERAGE CURRENT FUND EXPENDITURES BY TYPE OF INSTITUTION 1975 (Current Dollars)

	1974 ($000's)	1975 ($000's)	Percent Change 1974 to 1975
Group I			
Educational and General Expenditures[1]	$ 78,084	$ 85,902	10.0%
Total Expenditures and Mandatory Transfers[2]	103,513	117,854	13.9
Group II			
Educational and General Expenditures	14,069	16,103	14.5
Total Expenditures and Mandatory Transfers	22,120	25,649	16.0
Group III			
Educational and General Expenditures	4,013	5,305	10.2
Total Expenditures and Mandatory Transfers	6,026	6,620	9.9
Group IV			
Educational and General Expenditures	4,094	4,827	17.9
Total Expenditures and Mandatory Transfers	5,325	6,234	17.1
Group V			
Educational and General Expenditures	1,494	1,393	6.6
Total Expenditures and Mandatory Transfers	1,893	2,023	6.9
Group VI			
Educational and General Expenditures	1,378	1,609	16.8
Total Expenditures and Mandatory Transfers	1,463	1,704	16.5
Group VII			
Educational and General Expenditures	210	233	10.6
Total Expenditures and Mandatory Transfers	212	236	11.1
Group VIII-IX			
Educational and General Expenditures	444	388	12.6
Total Expenditures and Mandatory Transfers	493	648	31.5
All Groups			
Educational and General Expenditures	8,055	9,014	11.9
Total Expenditures and Mandatory Transfers	10,933	12,300	14.3
AAC National Sample (85 Colleges and Universities)			
Educational and General Expenditures	—	11,862	10.6
Total Expenditures and Mandatory Transfers	—	15,212	10.9

1. Educational and general expenditures include expenditures for instruction and departmental research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships and fellowships.

2. Mandatory transfers include debt service and renewal and placement transfers fixed by binding legal agreements and/or required for the auxiliary enterprises.

Table 43

CHANGE IN AVERAGE CURRENT FUND EXPENDITURES
PER FTE STUDENT
BY TYPE OF INSTITUTION
1974 - 1975

	Percent Change 1974 to 1975
Group I	
Educational & General Expenditures	+11.5%
Total Expenditures & Mandatory Transfers	+15.4
Group II	
Educational & General Expenditures	+ 7.6
Total Expenditures & Mandatory Transfers	+ 9.0
Group III	
Educational & General Expenditures	+ 8.9
Total Expenditures & Mandatory Transfers	+ 8.5
Group IV	
Educational & General Expenditures	+12.2
Total Expenditures & Mandatory Transfers	+11.4
Group V	
Educational & General Expenditures	+ 1.4
Total Expenditures & Mandatory Transfers	+ 1.7
Group VI	
Educational & General Expenditures	+14.2
Total Expenditures & Mandatory Transfers	+13.9
Group VII	
Educational & General Expenditures	+13.8
Total Expenditures & Mandatory Transfers	+14.3
Group VIII and IX	
Educational and General Expenditures	+19.3
Total Expenditures & Mandatory Transfers	+18.3
All Groups	
Educational & General Expenditures	+ 8.5
Total Expenditures & Mandatory Transfers	+10.9

Table 44

PERCENT DISTRIBUTION OF
TOTAL EXPENDITURES BY GROUP

xpenditure	All	I	II	III	IV	V	VI	VII	VIII,IX
nstruction	34%	33%	33%	31%	31%	30%	44%	39%	31%
esearch	2	20	3	2	*	0	*	0	0
ublic Service	1	1	1	1	*	*	*	*	1
cademic Support	6	6	6	7	5	5	7	11	4
tudent Services	6	3	4	8	6	7	5	13	6
nstitutional Support	19	9	14	14	18	20	23	30	23
lant Operation	8	6	7	8	7	7	10	6	13
cholarships	7	6	8	8	8	7	6	1	6
rincipal & Interest	3	1	1	1	5	3	1	*	7
& G Subtotal	86	86	77	81	81	80	97	99	91
uxiliary Enterprises	14	14	23	19	19	20	3	1	9
otal Expenditures	100%	100%	100%	100%	100%	100%	100%	100%	100%

less than .5%

Source: John Minter Associates, California Independent Colleges and Universities: Current Fund Revenue and Expenditures Analysis, prepared for the California Postsecondary Education Commission, page 16.

Table 45

RESOURCE ALLOCATION PER FTE STUDENT
(Current Dollars in 000's), 1975

Expenditure	All	I	II	III	IV	V	VI	VII	VIII, IX
Instruction	$2,264	$4,418	$1,478	$1,825	$1,389	$1,246	$1,035	$ 822	$1,154
Research	951	3,064	245	157	8	0	8	0	0
Public Service	132	348	84	51	7	6	2	2	60
Academic Support	434	820	346	406	177	220	157	220	135
Student Services	266	361	177	471	231	276	136	166	185
Institutional Support	745	975	643	782	647	781	525	562	564
Plant Operations	431	748	312	462	263	293	207	113	335
Scholarships	464	820	315	436	371	309	201	37	226
Principal & Interest	50	4	42	25	142	112	21	8	221
E & G Subtotal	$5,744	$11,568	$3,650	$4,619	$3,238	$3,246	$2,295	$1,937	$2,885
Auxiliaries	2,222	4,303	2,164	1,145	944	878	136	25	293
Total Expenditures	$7,966	$15,871	$5,814	$5,764	$4,182	$4,124	$2,431	$1,962	$3,178
Total Revenues	$8,196	$16,641	$5,876	$5,625	$4,141	$4,043	$2,628	$2,118	$3,336
Net Revenues	$ 230	$ 770	$ 62	$ -139	$ -41	$ -81	$ 197	$ 156	$ 158

Source: John Minter Associates, California Independent Colleges and Universities: Current Fund Revenue and Expenditures Analysis, prepared for the California Postsecondary Education Commission, page 17.

Indicators of Financial Health

The data developed in the Minter study of California's independent institutions provide the basis for an assessment of the financial health of these institutions. The following analysis considers only the short-term debt of the institutions, but does not consider either the long-term debt or the endowment funds. While these two factors are not included here, they are extremely important indicators of financial health. Following publication of the second Minter report for the Commission, which will include both a current-fund and balance-sheet analysis, the information necessary for an expanded review of the financial health of the independent sector will be available.

Among the key indicators of financial health are: (1) net revenue ratio, (2) the contribution ratio, (3) educational and general revenues per student in constant dollars, (4) debt-service coverage ratio, (5) debt-exposure ratio, and (6) net tuition and fee revenues. 82/ Information concerning these indicators are summarized in the tables which follow, and provide the basis for the following generalizations:

1. A negative net-revenue ratio indicates that expenditures are exceeding revenues. A consistently negative ratio over a period of several years indicates an institution's inability to control its expenditures in relation to its revenues. During the two-year period, 1974-1975, Liberal Arts Colleges III (with enrollments under 1,000) had a negative net-revenue ratio. Liberal Arts Colleges I and II (with selective admission standards and with enrollments over 1,000, respectively) moved from a small positive ratio in 1974 to a negative ratio in 1975. These three types of institutions demonstrated a potential problem in this area. (See Table 46.)

2. A contribution ratio smaller than 1.00 indicates that an institution's total educational and general expenditures exceed its total educational and general revenues. In other words, the revenues from the educational program do not support the expenditures for the educational program. Liberal Arts Colleges II and III (with enrollments over 1,000 and with enrollments under 1,000, respectively), and the Bible Colleges and Schools of Theology experienced a negative contribution ratio in 1974 and 1975. Liberal Arts Colleges I (with selective admission standards) experienced a negative ratio in 1975, with the largest decrease of any type of institution from 1974 to 1975. (See Table 47.)

3. A decrease in the educational and general revenues per student (in constant dollars) indicates that growth in current revenues is not keeping pace with changes in enrollment level and/or inflation. During 1974-1975, Liberal Arts Colleges I and III (with selective admission standards and with enrollments under 1,000, respectively), particularly the latter, lost ground in this area. (See Table 48.)

4. The higher the debt-service coverage ratio, the greater the institution's ability to maintain principal and interest payments and, consequently, the lower the financial risk of the institution. The lower the ratio, the higher the financial risk. A lower number, which gets progressively smaller each year, indicates that an institution is moving into a position of high financial risk. The Bible Colleges and Schools of Theology and the Law Schools seem to demonstrate the largest financial risk in this area. (See Table 49.)

5. The higher the debt-exposure ratio, the more times the institution's existing assets can cover the existing liabilities, and consequently the lower the financial risk of the institution. The lower the ratio, the higher the financial risk. A lower number, which gets progressively smaller each year, indicates that an institution is moving into a position of high financial risk. The Law Schools and the Liberal Arts Colleges II seem to demonstrate the largest financial risk in this area. (See Table 50.)

6. Changes in net tuition and fee revenues indicate the changing relationship between an institution's expenditures on scholarships and fellowships and the revenues gained from tuition and fee payments. The larger the increase in net revenues, the more favorable the institution's revenue position. Liberal Arts Colleges I and III (with selective admission standards and with enrollments under 1,000, respectively) experienced the smallest percent increase in net tuition and fees from 1974 to 1975. (See Table 51.)

Conclusions

Most independent institutions are highly sensitive to changes in enrollments, as they depend upon student tuition as their major source of revenue. A second important source is private gifts and grants. These two sources of revenue may not be as secure in the future as they have been in the past, given (1) the potential decline in the number of full-time students enrolled, and (2) the impact of

inflation and the uncertainty in the economy as it affects private donors. Conclusions concerning the present financial health of independent institutions must recognize the changing future environment in which the institutions will operate.

The data available concerning current fund revenues and expenditures by independent institutions during the two-year period, 1973-74 through 1974-75, yield the following conclusions:

1. In general, current revenues in the independent sector have kept pace with changes in enrollment level and inflation. (See Table 48.) Only Liberal Arts Colleges I and III (with selective admission standards and with enrollments under 1,000, respectively), particularly the latter, have had current revenues (in constant dollars) grow more slowly than educationally related costs. The Doctoral Granting Universities and the Bible Colleges and the Law Schools have demonstrated the strongest two-year record in this area.

2. The proportion of current revenues derived by independent institutions from tuitions and fees has increased only slightly. The proportion of current revenues derived from private gifts and endowment income has decreased slightly. No conclusion can be derived concerning the financial health of the independent sector based upon these two developments.

3. The Liberal Arts Colleges, particularly those with enrollments under 1,000 students, demonstrated the largest degree of financial strain in their current fund operations.

4. The New, Non-traditional Institutions, the Bible Colleges and Schools of Theology, and the Liberal Arts Colleges III (with enrollments under 1,000) derive a large percent of their educational and general revenues from private gifts. These institutions, particularly the New, Non-traditional Institutions, are vulnerable if economic conditions should worsen and/or if the attitudes of their donors should change.

5. Some types of independent institutions are highly dependent upon tuition and fees as a source of educational and general revenues. The Comprehensive University and Colleges, the Liberal Arts Colleges II (with enrollments over 1,000), the Specialized Institutions, and the Law Schools all receive over 75 percent of their educational and general revenues from that source. These institutions are vulnerable to a sudden reduction in student enrollment.

Chart 3

INDICATORS OF FINANCIAL HEALTH DEFINITIONS

1. Net Revenue Ratio is the result of subtracting total expenditures and mandatory transfers from total revenues, and dividing the result by total revenues.

$$\text{Net Revenue Ratio} = \frac{\text{Total Revenues} - (\text{Total Expend.} + \text{Mand. Trans.})}{\text{Total Revenues}}$$

This ratio is a measure of expenditure control. A positive result means that in the current period operating revenues exceed operating expenditures. This value is not a measure of overall financial position and is not to be equated with the terms "profit," "loss," "surplus," or "deficit," though it frequently is. It is only a clue to the ability of the operating firm to control its expenditures in relation to its revenues.

2. The Contribution Ratio is revenue value divided by an expenditure value to show the degree to which revenue "contributes" to paying the expenditure. In this analysis, only total educational and general expenditure values are used because it is impossible to relate revenue values directly to the expenditure subcategories. The object of this ratio is to provide a little clearer focus on the relationship of revenues and expenditures.

$$\text{The Contribution Ratio} = \frac{\text{Educational and General Revenues}}{\text{Educational and General Expenditures}}$$

3. The Debt Service Coverage indicates the institution's ability to maintain principal and interest payments, and is determined by dividing the mandatory trnasfers for principal and interest by the tuition and auxiliary revenue. Supposedly, the more times assets cover liabilities, the lower the risk.

$$\text{Debt Service Coverage} = \frac{\text{Tuition and Auxiliary Revenue}}{\text{Mandatory Transfers for Principal and Interest}}$$

4. Risk Indicator: Debt Exposure. A risk indicator is the total asset value divided by a liability (debt) value to show the number of times the asset values would cover the debt value. The debt exposure is determined by dividing the investment on physical plant (asset) by the balance due on physical plant (debt). The more times assets cover liabilities, the lower the risk.

$$\text{Debt Exposure} = \frac{\text{Total Assets}}{\text{Total Liabilities on the Plant}}$$

5. Net Tuition and Fee Revenues is determined by subtracting an institution's expenditures on scholarships and fellowships from the revenues received from tuition and fee payments.

Table 46

NET REVENUE RATIO
1974 AND 1975

	1974	1975
Group I	2.7%	4.6%
Group II	-0.7	1.1
Group III	.3	-2.5
Group IV	1.3	-1.0
Group V	-1.0	-2.0
Group VI	8.3	7.5
Group VII	7.3	7.4
Group VIII - IX	6.0	4.7
All Groups	1.7	2.8

The Net-Revenue Ratio is the result of subtracting total expenditures and mandatory transfers from total revenues divided by total revenues. This ratio is a measure of expenditure control. A positive result means that in the current period operating revenues exceed operating expenditures. This value is not a measure of overall financial position and is not to be equated with the terms "profit," "loss," "surplus," or "deficit," although it frequently is. It is only a clue to the ability of the operating firm to control its expenditures in relation to its revenues.

Net-Revenue Ratio =

$$\frac{\text{Total Revenues} - (\text{Total Expenditures and Mandatory Transfers})}{\text{Total Revenues}} \times 100$$

Table 47

CONTRIBUTION RATIO
RELATIONSHIP OF REVENUES AND EXPENDITURES

	1974	1975	Change in Ratio 1974-1975
Group I	1.01	1.03	+.0204
Group II	1.00	1.03	+.0315
Group III	1.01	.97	-.0317
Group IV	.99	.97	-.0254
Group V	.95	.94	-.0163
Group VI	1.09	1.08	-.0115
Group VII	1.08	1.08	+.0020
Group VIII	.97	.96	-.0189
Group IX	1.11	1.09	-.0274
All Groups	1.01	1.02	+.0126

The contribution ratio is revenue value divided by an expenditure value to show the degree to which revenue "contributes" to paying expenditure. In this analysis, only total educational and general expenditure values are used because it is impossible to relate revenue values directly to expenditure subcategories. The object of this ratio is to provide a clearer focus on the relationship of revenues and expenditures.

$$\text{Contribution Ratio} = \frac{\text{Educational and General Revenues}}{\text{Educational and General Expenditures}}$$

Table 48

EDUCATIONAL AND GENERAL REVENUES PER STUDENT
IN CURRENT AND CONSTANT DOLLARS
1975

	1975 Current Dollars	Percent Change 1974-1975	1975 Constant Dollars[1]	Percent Change 1974-1975
Group I	$11,972	13.8%	$7,212	5.0%
Group II	3,476	11.0	2,268	2.3
Group III	4,496	5.5	2,709	-2.7
Group IV	3,131	9.3	1,886	0.8
Group V	3,045	- 0.4	1,834	-8.1
Group VI	2,484	13.0	1,496	4.2
Group VII	2,092	14.0	1,260	5.1
Group VIII and IX	2,917	17.5	1,757	8.3
All Groups	5,874	9.9	3,538	1.3

1. Higher Education Price Index: 1967 = 100, 1974 = 153.1, 1975 = 166.0

Table 49

DEBT SERVICE COVERAGE

	1974	1975
Group I	88.9	108.1
Group II	34.8	48.2
Group III	28.0	28.8
Group IV	18.1	18.8
Group V	23.2	19.2
Group VI	35.0	80.1
Group VII	51.4	95.7
Group VIII	11.9	6.6
Group IX	—	13.9
All Groups	40.8	47.3

The debt-service coverage indicates the institution's ability to maintain principal and interest payments, and is determined by dividing tuition and auxiliary revenue by the mandatory transfers for principal and interest. Supposedly, the more times assets cover liabilities, the lower the risk.

Debt Service Coverage Ratio =

$$\frac{\text{Tuition and Auxiliary Revenues}}{\text{Mandatory Transfers for Principal and Interest}}$$

Table 50

RISK INDICATOR: DEBT EXPOSURE
1974 AND 1975

	1974	1975
Group I	11.2	8.7
Group II	3.6	3.7
Group III	5.5	5.9
Group IV	2.8	2.8
Group V	3.4	3.3
Group VI	1.3	3.1
Group VII	7.3	3.1
Group VIII	4.3	3.0
Group IX	1.8	2.0
All Groups	5.4	5.2

A risk ratio is total asset value divided by liability (debt) value to show the number of times asset values would cover debt value. The debt-exposure ratio is determined by dividing investment on physical plant (asset) by balance due on physical plant (debt). The more times assets cover liabilities, the lower the risk.

$$\text{Debt Exposure} = \frac{\text{Total Assets}}{\text{Total Liabilities on the Plant}}$$

Table 51

CHANGES IN NET TUITION
AND FEE REVENUES
1974 AND 1975
(Current Dollars)

	Net Tuition & Fee Revenues 1974 ($000's)	Net Tuition & Fee Revenues 1975 ($000's)	Percent Change 1974 to 1975
Group I	$ 74,732	$ 86,080	15.2%
Group II	75,802	90,447	19.3
Group III	22,736	24,935	9.7
Group IV	29,165	32,801	12.5
Group V	7,083	7,776	9.8
Group VI	11,394	13,026	14.3
Group VII	632	823	30.2
Group VIII	680	907	33.4
Group IX	1,765	2,429	37.6
All Groups	223,989	259,224	15.7

General Assessment of Condition by Chief Executive Officer

To supplement the information provided in the preceding discussion, Commission staff asked chief executive officers of independent California institutions to assess the present condition and future outlook of their institutions. The overwhelming majority of those who responded indicated they feel their institutions are in fairly good condition and look forward to some progress. (See Tables 52, 53, and 54.)

This optimistic response is identical to that received by Bowen and Minter in their national study. 83/ It should be noted that senior faculty members and chief student personnel officers, as sampled by Bowen and Minter, were somewhat less optimistic in their views of the financial and academic condition of their institution. This situation reflects the tendency of college presidents, in their fund raising and public relations roles, to demonstrate a unwavering positive attitude about the future of their institutions. Other administrators, more involved in the day-to-day operations of the colleges, are less sanguine in their views.

While the majority of the chief executive officers are optimistic about the future of their institutions, there were some common areas of concern expressed by a minority of the respondents: inability to maintain and improve facilities and equipment, diminution of alumni interest and financial contributions, weakening of morale or espirit de corps of faculty, inability to maintain and improve public service activities, and weakening financial condition. These concerns were expressed most frequently by the small Liberal Arts Colleges III (with enrollments under 1,000), and the Specialized Institutions. However, almost every type of institution reported losing ground in the maintenance and improvement of facilities and equipment.

When asked to describe those areas affected most critically by financial restrictions during the past five years, the respondents most frequently cited the following three areas:

1. The inability to maintain and expand the physical plant. A small liberal arts college reported that

> several of our older buildings could use renovation and fortifying but our budget does not allow this. We also need to build more dormitories and academic buildings but do not have the current funds. Four years ago we built an innovative and important facility, a student center, without appropriate backup capital and are now trying to cope with paying it off. We need to expand our maintenance staff but cannot afford to do so now.

2. The inability to increase faculty and staff salaries so as to keep pace with either the cost of living or salaries paid in similar public sector positions. A typical response from the independent institutions was that

> faculty salaries have been adversely affected two ways: (1) inability to hire additional and needed fulltime faculty, which may have an adverse effect on academic programs and also reduces the number of persons available for committee service, academic advising, etc.; (2) inability to raise salaries to a point commensurate with, say, public school teachers in our vicinity.

3. A reduction in library acquisitions and an inability to maintain adequate library facilities.

The chief executive officers from the independent institutions tended to agree in their identification of the most critical fiscal problems encountered by their institutions during the past five years. These problems included the impact of inflation; the debt burdens of long- and short-term loans; the inability to increase revenue from gifts and other nontuition sources; the lack of working capital and, therefore, the difficulty of maintaining adequate cash flow; and the necessity to utilize gifts to balance the operating budget. The following is a typical response from a small liberal arts college:

> The most critical fiscal problems have been the operating deficits of the years 1970-71, 1971-72; the need to freeze faculty salaries in 1972; the invasion of capital (endowment restricted to scholarship aid); the continued need for borrowing to compensate for cash flow problems. While we are pleased now, and since 1972-73, to be maintaining a balanced (or nearly balanced) budget, we have managed to do that at the expense of other areas. We have received a grant from the Irvine Foundation to be used as current funds for scholarship aid, and this assists us in avoiding further invasion of capital. Since the College's endowment is in the neighborhood of half a million dollars, and income from that source is proportionally limited, ours is quite literally a hand-to-mouth existence, and we are exceedingly careful about all expenditures.

A large independent institution stated that a protracted period of budget scrutiny and the closing of a cumulative gap between income and expense of several million dollars has produced a variety of specific problems.

The three most salient aspects worth mention here are:

a. The sharp decrease in the ability to absorb further financial shocks and, the corollary proposition, the increased dependence on each source of income; the former threatens program stability; the latter may give certain financial relationships undue importance;

b. the effects on institutional morale and enthusiasm have become manifest in a growing unwillingness to experiment, to volunteer, to be flexible; and

c. administrative capacity is seriously strained.

When asked to describe and comment on the actions taken by their institutions in response to restricted budgets, the chief executive officers tended to report the same actions: increased tuition; limitations on faculty salary increases; more active programs to attract alumni, private donor, corporate, and foundation gifts and grants; reduction of nonacademic staff; limitations on faculty tenure, expanded use of part-time faculty, and increased student/faculty ratios; and reductions in academic programs and/or postponements in the development of new programs. An interesting response to this question was provided by the chief executive officer from a liberal arts college in northern California:

> In January 1972 a broad-based task force reviewed our situation and proposed a number of actions to assist in restoring fiscal stability. These included the elimination of four academic programs, and the termination of one tenured faculty member; substitution of part-time faculty for retiring or departing fulltime faculty; departments being asked to curtail their elective course offerings.
>
> Faculty salaries were frozen in 1972, and have not even kept pace with inflation in those years in which we have been able to give cost of living increments. And yet, on their own initiative, faculty assessed the tenure situation and decided they would like to substitute a system of extended appointment for it; by their vote and Board approval tenure is no longer being granted. In my opinion, both in the abstract and the concrete, this is a remarkable occurrence, and a rather striking example of the kind of innovation and response to the times that can take place in a small and personal institution. I hope it gives the Commission food for thought.
>
> We have had to raise tuition and fees each year, and at the same time have curtailed student services in one important respect--we no longer maintain a student health

service, but instead depend on the emergency services at a local hospital.

> While our admissions office has indicated in another part of this report that we have not lowered admissions standards, I have to disagree; we make more exceptions to those standards, and we are in fact not attracting as many first-rate students as we formerly did. The quality of education has, in my opinion, never been higher, but that is something one must experience first-hand to know.

Even though physical plant expansion, maintenance, and renovation were considered to have been most critically affected by financial restrictions, approximately 40 percent of the independent institutions have expanded their facilities in some manner within the last five years. While private gifts and grants were the most frequently utilized resource, funds received with the assistance of the California Educational Facilities Authority also helped to facilitate such expansion. Many institutions have also initiated new academic programs, utilizing funds provided through private and governmental gifts and grants, as well as revenues generated through increased tuition revenues. One of the responses from a small liberal arts college illustrates the utility of expanding academic programs as a means of promoting financial health:

> During the past five years the College has instituted several new programs which have proved to be exceptionally beneficial in balancing the budget. A very successful program in Business Administration was initiated for persons in middle management. The Education Department has promoted In-Service, special credential and Master's degree programs; all of which have been financially beneficial to the College. Two new programs, a Master's degree in Psychology and a Master's degree in International Banking and Finance were initiated. With the exception of the Education Department, new programs were initiated by means of special fund raising projects restricted to the development of new programs. The sources were corporate and individual donors.

As noted earlier, despite several indicators of financial stress, the chief executive officers of the independent institutions are generally optimistic about the future. An important reason for this optimism was stated by the president of a large university:

> The "little improvement" I foresee is relative to institutional self-understanding and its product, self-direction. Thus, while resource growth will be reduced--and is likely to be negative in real economic terms--the outlook for

[name of institution] includes greatly increased sophistication in the management of its financial affairs. That factor, despite unabated uncertainties, is an improvement.

Perhaps the best summary of these assessments of the future is provided by a statement from one of the chief executive officers, which reflects both cautious optimism and fear of future unknowns.

> If enrollments continue at approximately the same or slightly increased rates, and efforts are continued to follow budgetary restrictions, it may be possible to balance the operational budget for several more years. However, if inflation should accelerate as it had during the past five years, or if the economy should suffer a recession, or some difficulty should occur on campus which would injure enrollment, these would have an adverse effect on the stability of the institution. Other negative factors would be accelerated utility or disposal costs and unreasonable demands for higher salaries. The educational mission of the institution stays essentially the same. However, there has been a dramatic increase in In-Service, external degree, continuing education and graduate programs. The fear is among some faculty members that the College will lose its basic liberal arts character, however this fear is not well-founded.

Table 52

EXPECTATIONS FOR THE NEXT FIVE YEARS AS EXPRESSED BY THE CHIEF EXECUTIVE OFFICER OF PARTICIPATING INSTITUTIONS*
(Responses Made in Spring 1976)

	Percent of Reporting Presidents									
	Group I	Group II	Group III	Group IV	Group V	Group VI	Group VII	Group VIII	Group IX	All Groups
Responses to the question: How do you view the outlook for your institution over the next five years?										
Will improve substantially	33%	60%	17%	67%	43%	67%	71%	83%	83%	64%
Will improve a little	33	40	83	33	57	33	29	17	17	34
No change	33	-	-	-	-	-	-	-	-	2
Will slip a bit	-	-	-	-	-	-	-	-	-	-
Will deteriorate seriously	-	-	-	-	-	-	-	-	-	-
Total	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%

*Based on responses from seventy institutions.

Table 53

BROAD GENERAL ASSESSMENTS BY THE CHIEF EXECUTIVE OFFICER OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS
(Responses Made in Spring 1976)

	Percent of Reporting Institutions				
	Gaining Ground	Holding Our Own	Losing Ground	Don't Know	Total
Financial Condition					
Group I	-	100%	-	-	100%
Group II	60%	20	20%	-	100
Group III	17	66	17	-	100
Group IV	67	22	11	-	100
Group V	14	86	-	-	100
Group VI	44	44	12	-	100
Group VII	57	43	-	-	100
Group VIII	58	37	5	-	100
Group IX	57	43	-	-	100
All Groups	47	46	7	-	100
Academic Condition					
Group I	33%	67%	-	-	100%
Group II	20	80	-	-	100
Group III	50	50	-	-	100
Group IV	67	33	-	-	100
Group V	71	29	-	-	100
Group VI	67	33	-	-	100
Group VII	100	-	-	-	100
Group VIII	90	10	-	-	100
Group IX	86	14	-	-	100
All Groups	42	51	6%	1%	100
Student Services					
Group I	33%	67%	-	-	100%
Group II	40	60	-	-	100
Group III	33	67	-	-	100
Group IV	56	33	11%	-	100
Group V	43	57	-	-	100
Group VI	67	33	-	-	100
Group VII	71	29	-	-	100
Group VIII	61	39	-	-	100
Group IX	57	43	-	-	100
All Groups	55	44	1	-	100

	Percent of Reporting Institutions				
	Gaining Ground	Holding Our Own	Losing Ground	Don't Know	Total
Facilities and Equipment					
Group I	33%	33%	33%	-	99%
Group II	40	40	20	-	100
Group III	17	66	17	-	100
Group IV	56	33	11	-	100
Group V	29	29	42	-	100
Group VI	44	44	12	-	100
Group VII	100	-	-	-	100
Group VIII	47	47	6	-	100
Group IX	43	57	-	-	100
All Groups	47	40	13	-	100
General Environment for Students					
Group I	-	100%	-	-	100%
Group II	60%	40	-	-	100
Group III	33	67	-	-	100
Group IV	56	44	-	-	100
Group V	71	29	-	-	100
Group VI	67	33	-	-	100
Group VII	57	43	-	-	100
Group VIII	63	37	-	-	100
Group IX	43	57	-	-	100
All Groups	56	44	-	-	100
Public Service Activities					
Group I	-	67%	33%	-	100%
Group II	40%	60	-	-	100
Group III	-	83	17	-	100
Group IV	44	56	-	-	100
Group V	33	50	-	17%	100
Group VI	67	22	11	-	100
Group VII	57	43	-	-	100
Group VIII	44	50	6	-	100
Group IX	50	50	-	-	100
All Groups	42	51	6	1	100

Table 54

ASSESSMENTS BY THE CHIEF EXECUTIVE OFFICER OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS, BY SPECIFIC CHARACTERISTICS*
(Responses Made in Spring 1976)

	Percent of Reporting Institutions				
	Gaining Ground	Holding Our Own	Losing Ground	Don't Know	Total
General sense of community or collegiality of the whole institution	64%	35%	1%	—	100%
Capacity of the institution for self-renewal and adjustment to changing conditions	64	32	1	3	100
Institutional autonomy or capacity for inner direction	64	32	3	1	100
Distinctiveness of the institution as compared with publicly sponsored institutions	60	36	—	4	100
Distinctiveness of the institution as compared with other privately sponsored institutions	59	37	—	4	100
Active interest of alumni	50	44	3	3	100
Financial contributions of alumni	50	38	6	6	100
Capacity to hold the interest of strong trustees and to attract new ones	52	47	—	1	100

*Based on responses from seventy institutions.

Analysis of the Condition of Individual Institutions

The study prepared by John Minter provides financial data for the independent institutions for a two-year period, 1973-74 and 1974-75. While it would be unrealistic to predict trends or project growth on the basis of this limited information, an assessment can be made of individual institutions in terms of current overall strength or weakness. In future studies, an analysis will be offered of growth trends as well as the absolute condition of each institution.

Fifteen fiscal "indicators" have been utilized to measure a wide range of conditions important to the financial health of independent institutions. Each indicator has been broken down to show performance at four levels (Excellent-A, Good-B, Fair-C, and Poor-D), and each institution has received a score for every indicator. In general, those institutions with a preponderance of excellent (A) and good (B) scores are considered to be in good financial health, while those with a high proportion of fair (C) and poor (D) scores are thought to be in poor condition. Those schools with an even distribution of scores, or a preponderence of good (B) and fair (C) scores are judged to be holding their own.

Among these fifteen indicators, five are of primary importance in assessing an institution's current financial status. The correlation between scores in these categories and scores across all fifteen categories is very high. In addition, the qualities measured by these particular indicators include the basic and most important revenue and expenditure considerations. Any one of these five indicators may effect overall financial status, in spite of what the rest suggest.

Primary Indicators

1. Net-Revenue Ratio: (Total Revenues - Total Expenditures) ÷ Total Revenues

   The Net-Revenue Ratio indicates the ability of an institution to control its expenditures relative to its revenues. A high, positive ratio is considered a sign of good financial condition, while a negative ratio is considered a sign of the opposite. If the percentage change between revenues and expenditures indicates that expenditures have increased more than revenues, future growth trends should be checked to determine if there is an emerging pattern of more rapid growth of expenditures over revenues.

2. Percent Change in Educational and General Revenues (Constant Dollars)

An institution's ability to increase revenues received from a variety of sources is measured by the percent change in educational and general revenues. These revenues include tuition and fees, State and federal government funds, private gifts, endowment income, department sales and services, as well as contributed services. In general, educational and general revenues include all revenues except those from auxiliary enterprises such as residence halls, food services, student unions, college bookstores, and such services as barber shops. The higher the percent increase in educational and general revenues (in constant dollars), the more favorable the institution's financial position.

3. Percent Change in Revenues from Tuition and Fees (Constant Dollars)

This indicator measures the direction and degree of change in revenues from tuition and fees, and indicates the institution's ability to increase revenues derived from this source. Revenues can be increased by increasing both enrollment and tuition.

4. Percent Change in Net Tuition and Fees Revenues

Changes in Net Tuition and Fee Revenues indicates the relationship between an institution's expenditures on scholarships and fellowships and the revenues obtained from tuition and fee charges. The larger the increase in net revenues from tuition and fees, the more favorable the institution's financial position.

5. Percent Change in Educational and General Expenditures per FTE (Constant Dollars)

Changes in expenditures (in constant dollars) for education and general operations per FTE student indicates the impact on expenditures of changes in enrollment level and inflation. A negative growth rate in this area is evidence of financial deterioration and reflects the impact of inflation on the institution.

Secondary Indicators

6. Contribution Ratio

The contribution ratio is determined by dividing the total educational and general revenues by the total educational and

general expenditures. This ratio demonstrates the degree to which revenues contribute to expenditures. A ratio which is less than 1.00, and which has a negative annual change, is an indication of financial deterioration in the institution.

7. Percent Change in Revenues Compared to Percent Change in Expenditures

This ratio, which is determined by subtracting the percent change in expenditures from the percent change in revenues, indicates the degree and direction (positive or negative) of the gap between revenues and expenditures. A consistently negative difference would show that expenditures continually outstrip revenues, a sign of unfavorable financial position.

NOTE: In the next three indicators, total revenues have been divided into several component categories (see also indicators 2 and 3) to determine the impact of each of those components on overall revenue changes. In addition, all revenue-change figures are computed on the basis of constant dollars, determined from the Higher Education Price Index base year of 1967. Thus, the inflated totals for 1973-74 and 1974-75 are reduced to 1967 dollars, and the real change in revenues is determinable.

8. Percent Change in Total Revenues Including Auxiliary Revenues (Constant Dollars)

The direction and degree of changes in all revenues is measured by the percent change in total revenues. This category includes educational and general revenues (indicator 2), as well as such auxiliary revenues as sports and cultural offerings.

9. Percent Change in Revenues from Private Gifts (Constant Dollars)

Private gifts are considered influential to an institution's revenue position if the total gifts received provide over 5 percent of the total revenues.

10. Percent Change in Revenues from Federal Government Sources (Constant Dollars)

Funds from federal government sources are considered important to the overall revenue position of an institution if those funds account for 5 percent or more of the total revenues.

11. Educational and General Revenues Per FTE Student

The relationship between current revenues and changes in enrollment and inflation is shown by the ratio of educational and general revenues to FTE students. Stability or growth in this figure indicate that current revenue growth is keeping pace with growth in enrollment and inflation.

12. Percent Change in FTE between 1973-1974 and 1974-1975

The percent change in FTE indicates the direction and degree of changes in full-time equivalent enrollment.

13. Percent Change in Expenditure for Instruction

Increases or decreases in funds spent for instruction indicate the ability of an institution to maintain current levels of instruction.

14. Scholarships and Fellowships as a Percent of Total FTE Expenditures

The percent of total FTE expenditures spent on scholarships and fellowships reflects the relationship between total expenditures per student and expenditures for student aid. A large percent of total funds expended for student aid could indicate the need to attract students by subsidizing a portion of their costs, and could indicate a deteriorating educational and fiscal program.

15. Debt-Service Coverage

The debt-service coverage ratio is the total revenues derived from tuition and auxiliary services divided by the total principal and interest payments to determine the number of times the annual revenue will cover the required annual repayment of debt. A high coverage ratio would indicate a favorable situation in the institution's financial health.

The majority of California's independent colleges and universities seem to be in relatively stable financial health. (It should be emphasized that this statement and the following generalizations are tentative and preliminary in nature, as they are based upon only two years of current fund analysis.) Of the institutions studied, thirty were rated as excellent or good for at least two-thirds of the financial indicators used. 84/ Another nine schools, for a cumulative total of 55 percent, had a majority of good and excellent scores. Eight institutions were rated excellent in nearly every category, with only five or fewer indicators not classified as showing excellent performance.

In general, the indicators show that thirty institutions have a positive relationship between revenues and expenditures, with annual revenues larger than expenditures, and with revenues increasing more rapidly than expenditures. In addition, the level of expenditures per student at these institutions was high. Therefore, as well as being stable and healthy fiscal operations, these colleges and universities were among the most competitive in terms of their ability to offer fully funded educational programs and services.

Table 55

NUMBER OF INSTITUTIONS BY ESTIMATED CURRENT STRENGTH
1975-1976

Excellent-Good	Good-Fair	Fair-Poor
39	15	14

Fewer than half of sixty-eight institutions participating in the study were considered to be in poor financial condition. Of these, fourteen colleges exhibited generally poor financial condition. Two of these fourteen appeared to be on the verge of failure when judged by the indicators of financial stability. 85/ Each had ten poor scores, with one institution rated poor in four of the five primary indicators, the other earning poor scores in all five. These two institutions in particular were operating on budgets which had greater expenditures than revenues, and the gap between revenues and expenditures had increased generally over the two-year period of the study. These tendencies were also exhibited by the other twelve schools receiving poor financial ratings, although not to the same degree as the two weakest institutions. As might be expected, all fourteen institutions rated low in their expenditures per student. Thus, in contrast to the institutions in stable financial condition, these schools were unable to offer fully funded educational programs.

Finally, there was a group of fifteen independent institutions whose absolute scores did not reveal either overall strength or weakness, and therefore no real conclusions could be drawn regarding them. In the future, Commission staff should be able to analyze this group in greater depth separating it into categories of schools on their way up or down financially, or those that are holding their own. It should be noted that one of the institutions in this group reported a debt-service coverage ratio of less than one. While its other indicators were judged to be either good or fair, this institution may soon experience serious financial difficulties.

Conclusions

An assessment of the available financial data for individual institutions for the two-year period, 1973-74 and 1974-75, offers the following conclusions:

1. The majority of the independent colleges and universities in California seem to be in relatively stable financial condition, as their annual revenues exceed expenditures and they are able to offer fully funded educational programs and services. This stable health covers the range of different types of institutions, from the large, comprehensive university to the small, specialized college. Current State and federal policies of funding student assistance programs has directly contributed to this condition. In the absence of such programs, the stable financial health within the independent sector would not exist.

2. Institutions with a weak financial status are found in almost every group, although they are most prevalent among Liberal Arts Colleges III (with enrollments under 1,000), Liberal Arts Colleges I (with selective admission standards), and Bible Colleges.

3. Two of the independent institutions surveyed appear to be on the verge of failure when judged by the indicators of financial stability. These two institutions are operating on budgets with significantly greater expenditures than revenues, and the gap between revenues and expenditures increased during the two years under review. There is no evidence to indicate that State policy or actions have contributed to the financial situation of these institutions.

Summary of Chapter

The analysis of the financial condition of independent California institutions was conducted on three levels: (1) general trends for all independent institutions; (2) comparative trends for different types of institutions; and (3) estimates of the overall condition of each institution in the Commission's survey.

Although some institutions have experienced a significant decline in enrollments, the independent sector, as a whole, has increased enrollment levels during the past seven years. The decline in enrollment experienced in 1971 and 1972 was overcome through increased enrollments in the three subsequent years. The Liberal Arts Colleges I (with selective admission standards), the Specialized Institutions, and the Bible Colleges and Schools of Theology experienced a decline in total enrollment during the seven-year period under review, as well as a major drop in the number of applications for admission received. There apparently has been a slight decline in selectivity in admissions. Some of the independent institutions which have experienced a significant drop in the enrollment of undergraduate students have responded by dramatically increasing the number of post-baccalaureate students and/or the number of special academic offerings for nondegree students.

Faculty salaries at independent institutions have not kept pace with either faculty salaries at public four-year institutions or with the rise in the Consumer Price Index. In response to the need to limit expenditures, the independent institutions, as a group, have apparently increased the ratio of students to faculty. While the employment level of full-time administrators has been maintained, there has been a reduction in clerical and other nonacademic staff. The primary area of retrenchment in staff has been concentrated in the latter groups. While there is little evidence of a major retrenchment in faculty staffing, there is considerable evidence of tighter budgets and steady financial erosion, as indicated by the limitations on faculty salary increases and by reductions in nonacademic staff. This trend is particularly true for the Liberal Arts Colleges III (with enrollments under 1,000).

Detailed information concerning current fund revenues and expenditures is limited to the two-year period, 1973-74 through 1974-75. During this time, current revenues in the independent sector kept pace with enrollment growth and inflation. The Liberal Arts Colleges, particularly those with enrollments under 1,000 (III), demonstrated the largest degree of financial strain in their current fund operations. The New, Non-traditional Institutions, the Bible Colleges and Schools of Theology, and the Liberal Arts Colleges III (with enrollments under 1,000) derive a large percent of their

educational and general revenues from private gifts. These institutions, particularly the New, Non-traditional Institutions, are vulnerable if economic conditions should worsen and/or if the attitudes of their donors should change.

While the majority of the chief executive officers are optimistic about the future of their institutions, there were some common areas of concern expressed by a minority of the respondents. These included: inability to maintain and improve facilities and equipment, diminution of alumni interest and financial contributions, weakening of morale or espirit de corps of faculty, inability to maintain and improve public service activities, and weakening financial condition. These concerns were expressed most frequently by the small Liberal Arts Colleges III (with enrollments under 1,000) and the Specialized Institutions. However, almost every type of institution reported losing ground in the maintenance and improvement of facilities and equipment.

In estimating the overall condition of each institution in the survey, Commission staff concluded that the majority of the independent colleges and universities in California are in relatively stable financial condition. (The conclusion discussed in this paragraph is tentative and preliminary in nature because it is based upon only two years of current fund analysis.) Well over half of the institutions demonstrate good to excellent stability and health. Moreover, this stable condition covers the range of independent institutions, from the large, comprehensive university to the small, specialized college. Institutions with a weak financial status are found in almost every group, although they are most prevalent among the Liberal Arts Colleges III (with enrollments under 1,000), Liberal Arts Colleges I (with selective admission standards), and Bible Colleges.

Current State and federal policies of funding student assistance programs has contributed directly to the stable financial condition within the independent sector. In the absence of such programs, this financial health would not exist.

CHAPTER 5

A LOOK AT THE FUTURE IN ENROLLMENT LEVELS

Changing enrollment levels are an important concern for independent institutions, as student tuition payments provide the major source of revenue for most. Moreover, State policy toward both public and independent colleges and universities is based upon certain assumptions about future enrollment levels. Many state governments throughout the nation are faced with the problem of decreasing enrollment in postsecondary education, and the need to lay off teachers and curtail educational services. The future enrollment picture in California is not as pessimistic as that nationwide: (1) California has a younger population than most eastern States; (2) California institutions, compared to those in other states, have traditionally attracted a larger percent of older freshman students (above the age of 20) and are therefore less dependent upon the 18-year-old high school graduate; and (3) California has a net influx of out-of-state students.

The available data on the State's population trends create considerable uncertainty about future enrollment levels. The following analysis will consider: (1) population projections for 18-year-old high school graduates, (2) population projections for the 20-24 year-old age group, (3) the changing composition of the potential student body, and (4) enrollment projections for public postsecondary institutions. Consensus generalizations will be offered based upon the available data in these areas.

High School Graduates

Population projections for the 18-year-old high-school graduate group in California show a slight increase until 1979, followed by a steady decrease during each of the next six years. A report from the American Council on Education projects an 8 percent decrease in the number of 18-year-olds in California in 1985, compared to the number in 1975. 86/ Information provided by the State Department of Finance concerning 18-year-old graduates of public and private high schools, projects a 10 percent decrease from 1975 to 1985. Using 1975 as a base year, the index for California public high school graduates is as follows: 87/

Projected California High School Graduates 1975-85

1975	100	1981	102
1976	100	1982	101
1977	101	1983	95
1978	104	1984	91
1979	105	1985	90
1980	104		

Despite the decrease in the number of 18-year-olds in California, the American Council on Education concluded that, given the expected population shifts and migration trends, there will be little significant change in freshmen enrollment levels in California during the next ten years. 88/ The Council's report projected a 5.4 percent larger freshmen enrollment in 1985 than in 1975. While the migration of students into the State may negate the decrease in the number of 18-year-old Californians, it should be noted that most of the freshmen migrating into California were enrolled in public institutions in 1975. 89/

The 20-24 Year-Old Age Group

Population projections for the 20-24 year-old age group in California show a 9 percent increase during the next five years, with a leveling off in the size of this age group in approximately 1984. 90/ Information provided by the State Department of Finance projects a subsequent decrease from 1984 to 1989, with the 20-24 year-old age group approximately the same size in 1989 as in 1975. Considering the 1975 population as the base year, the age group indexes for California are as follows: 91/

Projected Number of California 20-24 Year Olds
1975-1990

	California 20-24 year olds		California 20-24 year olds
1975	100	1983	109
1976	100	1984	109
1977	101	1985	108
1978	102	1986	107
1979	104	1987	105
1980	105	1988	102
1981	107	1989	100
1982	108	1990	97

The projected 9 percent increase through 1984, with a subsequent 9 percent decrease through 1989, will not be spread evenly among the various regions and cities in California. Nine major cities will experience more rapid growth in this age group than will the State as a whole, with Anaheim, Oxnard, and Santa Rosa growing by more than 35 percent during the next ten years. 92/ Only three cities will have a slower growth rate among the 20-24 year-old group than the State average: Los Angeles, Santa Barbara, and Fresno. Given the larger population of Los Angeles, the totals from this city tend to distort statewide population projections. In California, excluding Los Angeles, the 20-24 year-old age group is projected to increase by 15 percent in the next seven years, and, in 1990, is projected to be 10 percent larger than in 1975. 93/

Changing Composition of Student Body

Population projections for the 15-24 year-old age group in California indicate an increasing proportion of nonwhite residents and a decreasing proportion of white residents during the next 15 years. By 1980, there will be 39 percent more nonwhite residents in this age group than there was in 1975, while the white resident population will be approximately the same as that in 1975.

California Resident Population
in 15-24 Age Group

	1975	1980	1985	1990
Nonwhite Resident Population in 15-24 Age Group	100	121	139	146
White Resident Population in 15-24 Age Group	100	104	100	90

Source: National Planning Association, Regional Economic Projection Series, Section 302, p. 676.

A second important trend affecting enrollment levels is the increasing tendency for individuals over the age of 24 to enroll in a college or university. In 1976 approximately 45 percent of the undergraduate students in the public segments were age 25 or older. This represents a 10 percent increase from 1972, when approximately 35 percent of the undergraduate students were age 25 or older. While the variables affecting the participation rate of individuals beyond the traditional college age are numerous and impossible to predict, it seems clear that a larger number of adults 25 years of age or older will enroll in postsecondary institutions within the next ten years.

Enrollment Projections for Public Postsecondary Institutions

Enrollment projections for public postsecondary education during the next two decades show a leveling off of total (headcount) enrollments during the 1980s, followed by a gradual increase beginning in 1990. Information provided by the State Department of Finance indicates that most of the enrollment growth during the next ten years will be in the Community Colleges, with the four-year institutions maintaining basically stable enrollment levels. Using 1975 as a base year, the projected undergraduate enrollment in the public segments is as follows: 94/

Projected Enrollments for Public Postsecondary Institutions in California, 1975-1985

	University of California	California State University and Colleges	California Community Colleges
1975	100	100	100
1976	99	109	98
1977	98	100	102
1978	98	100	105
1979	98	101	109
1980	99	101	110
1981	99	102	113
1982	100	102	115
1983	100	101	116
1984	100	100	117
1985	101	99	117

In 1980, it is projected that the number of undergraduates aged 25 and over in public institutions will equal or surpass the number of those 24 years of age and under. It should be emphasized, however, that the California enrollment projections do not forecast a reduction in total enrollments during the next two decades. 95/

Conclusions

Several conclusions concerning future enrollment levels can be made using the available data for California population trends.

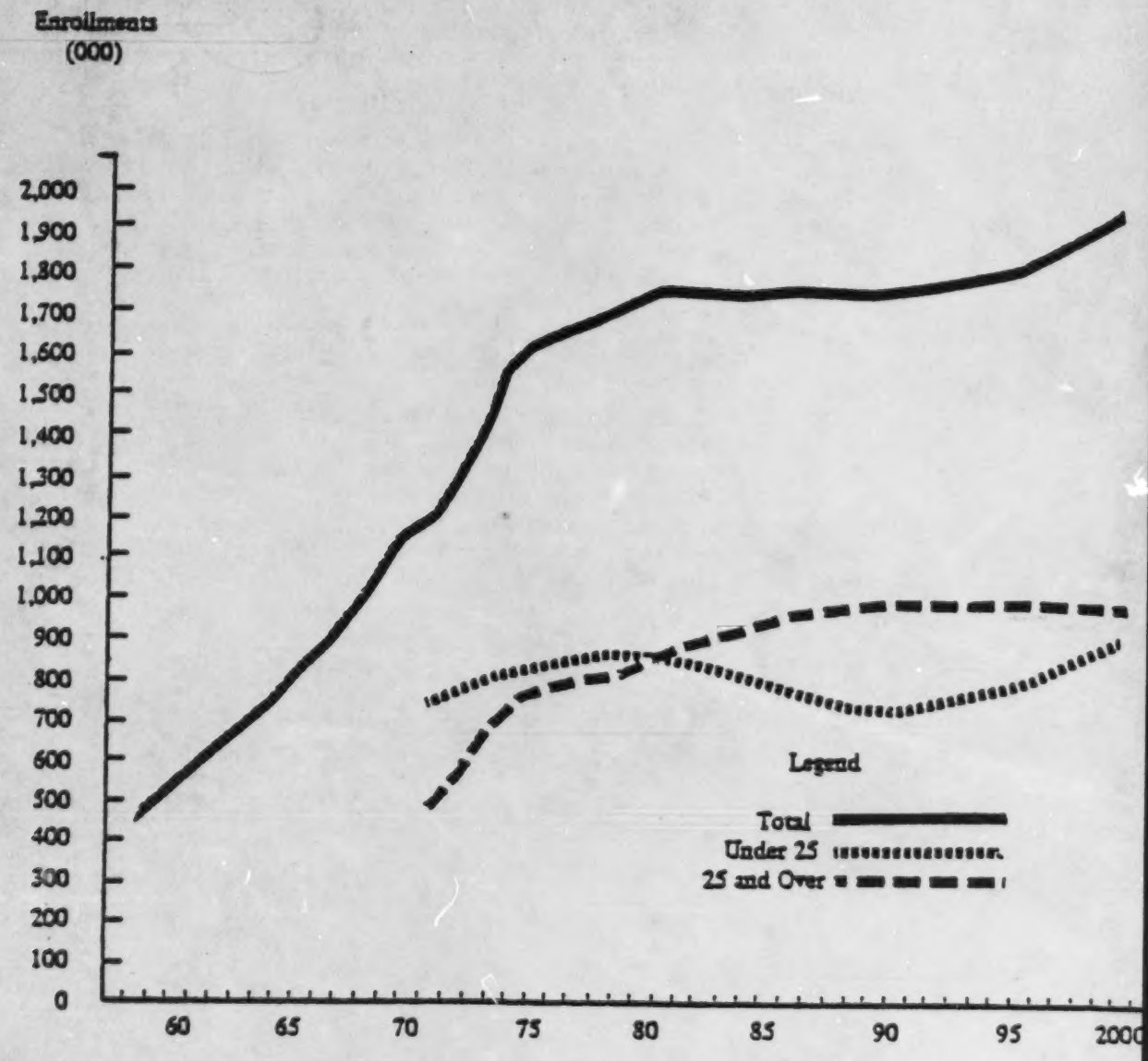
- The number of students enrolled in postsecondary education in California is likely to increase until at least 1984. An increasing proportion of these students will attend on a part-time basis and, consequently, there probably will be a decrease in the number of FTE students.

- During the next eight years, there will be a decrease in the number of 18-year-old high school graduates in California. However, given expected population shifts and migration trends, this decrease will probably not result in a significant reduction in freshman enrollment levels.

- During the next eight years, there will be an increase in the number of individuals in the 20-24 year-old age group. with an increasing proportion of these individuals being nonwhite ethnic minorities. If the participation rate within this age group remains constant, postsecondary enrollments can be expected to increase until at least 1985. The burden will rest on the educational institutions to provide academic programs to meet the needs of students from ethnic minority communities.

FIGURE 1

AGE COMPOSITION OF ACTUAL AND PROJECTED UNDERGRADUATE ENROLLMENTS IN THE UNIVERSITY OF CALIFORNIA, THE CALIFORNIA STATE UNIVERSITY AND COLLEGES; AND THE CALIFORNIA COMMUNITY COLLEGES 1960-2000



- To the extent that colleges draw students primarily from their immediate region, the independent institutions in the Los Angeles area are vulnerable to a drop in enrollment. It should be noted that approximately 100 independent colleges are in Los Angeles County, as well as five State University campuses and one University campus.

- During the next eight years, institutions in states such as New York, New Jersey, Pennsylvania, Connecticut, and Illinois, will suffer major reductions in numbers of students, empty classrooms, and/or the need for faculty layoffs caused by enrollment declines. 96/ California will not be faced with a similar future during the next eight years.

The future enrollment picture in California for the next eight years is unclear. While total (headcount) enrollments will gradually increase, the FTE (full-time equivalent) enrollments will probably decrease. It can be expected that some campuses within both the public and independent segments will experience a significant reduction in the number of students and/or the need for faculty layoffs caused by a decline in FTE enrollment. However, there is no evidence to indicate this development will be widespread, or that it will affect more than a few campuses in each of the four-year segments.

CHAPTER 6

SPECIAL CONCERNS ABOUT PUBLIC POLICY

Many complex aspects of public policy affect the financial and educational health of California's independent colleges and universities. Among the policy issues of particular importance for the independent sector are:

1. the public policy to provide increased educational and employment opportunities for ethnic minorities, women, and individuals with disabilities;

2. the public policy to develop detailed information about various aspects of the operation of postsecondary institutions in order to improve the coordination of the several segments of postsecondary education;

3. the public policy to require expanded information disclosure by public officials and governing board members;

4. the public policy to charge no or only low tuition at the University and State University and no tuition charges at the Community Colleges;

5. the public policy to expand off-campus degree programs; and

6. the public policy for more strict environmental control.

Each of these public policies has a direct impact on the independent sector of postsecondary education in California.

Increased Educational and Employment Opportunities

During the past fifteen years, the federal and state governments have enacted a series of legislative reforms intended to address important social needs. Without questioning the desirability of this legislation, it should be noted that most of it has an impact on the budgets of postsecondary institutions. There are two general kinds of governmental programs--those specifically intended to regulate colleges and universities as educational institutions, and those whose impact on educational institutions comes as a by-product of their business functions as employer, purchaser, and/or contractor.

Among the social reform programs are those concerning equal employment opportunity, affirmative action, age discrimination, and physically handicapped discrimination. These programs apply to educational institutions primarily as business entities, and are intended to eliminate past hiring and advancement inequities based on sex, race, age, or physical capabilities. The costs of implementing these reforms include increased administrative activities for program development and implementation, recordkeeping and reporting of efforts towards implementation by both administration and faculty, and legal advice detailing the kinds of efforts towards implementing reform which will be considered in compliance with the goals of specific programs. All of these activities are increased burdens on the administrative capacities of colleges and universities, requiring either additional staff or the reduction of administrative activities in educational functions. These two alternatives result in, respectively, direct dollar increases in the operating budget, or costs to the quality of the administration of educational programs.

Some of the programs intended to expand educational and employment opportunities also impact on colleges and universities as educational institutions. Recruitment efforts, physical plant and facilities modifications, and staff support may have to be redirected in order to recruit and assist handicapped, older, disadvantaged, or female students. All of the additional costs mentioned above would exist, as well as capital costs for physical plant modifications and additional salary or training costs for special staff necessary to make education accessible to all of these special groups.

Among the examples of this type of legislation are:

Nondiscrimination for Physically Handicapped Persons

Section 504 of the Rehabilitation Act of 1973 includes "requirements for non-discrimination in recruitment, admission, and treatment of handicapped [students] in postsecondary education programs and activities." Programs and activities of colleges and universities must be operated so that students with impaired sensory, manual, or speaking skills are provided services in the most integrated setting appropriate. The greatest cost impact of these regulations are anticipated in the areas of campus and physical access, and for specially trained or qualified interpreters.

Affirmative Action

Executive Order 11246 (as issued in 1965 and amended in 1967 by Executive Order 11375) sought to "insure equal opportunity for all persons, without regard to race, creed, color, national

origin, or sex employed or seeking employment with government contractors," subcontractors, or with contractors performing under federally assisted construction contracts. Further, the employer is required "to make additional efforts to recruit, employ, and promote qualified members of groups formerly excluded, even if that exclusion cannot be traced to particular discriminatory actions on the part of the employer." The impact of affirmative action regulations on postsecondary institutions include increased administrative costs for program development and implementation, recruitment, and record-keeping and reporting.

Equal Employment Opportunity

Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972, includes regulations which make it unlawful "to discriminate against any individual with respect to compensation, terms, conditions, or privileges of employment because of such individual's race, color, religion, sex or national origin." Employers are required to make and preserve over time "such records relevant to the determinations of whether unlawful employment practices have been or are being committed" and submit reports as prescribed by the Equal Employment Opportunity Commission. The main cost to institutions of higher education are in additional or modified recordkeeping functions. Other possible, although not inherent, costs include legal fees as a result of claims brought against the institution, and the liability for back pay if charges of unlawful employment practices are upheld.

Equal Pay

The Equal Pay Act of 1963 required equal compensation for jobs of the same or closely related character, whether performed by men or women. These provisions apply to "employees engaged in equal work on jobs the performance of which requires equal skill, effort and responsibility, and which are performed under similar working conditions." Pay differentials based on seniority, merit, or productivity that are applied equally to both sexes do not violate the equal pay provision. The only cost resulting from this federal law would be the one-time increase to eliminate the wage differential between men and women.

Age Discrimination

Current California law prohibits actions "to refuse to hire or employ, or to discharge, dismiss, reduce, suspend, or demote

any individual over the age of 40 on the grounds of age," and extends the protection of anti-age discrimination legislation to individuals over 65, who previously had not been covered. With mandatory retirement prohibited, postsecondary institutions may be affected in two ways: (1) continued employment of high seniority, highly paid faculty could increase overall salary costs, and (2) with fewer faculty positions being vacated, the flexibility for finding positions to implement affirmative action policies is limited.

In addition to these specific legislative reforms intended to expand educational and employment opportunities for ethnic minorities, women, and persons with disabilities, there have also been several, more general legislative reforms affecting all employees at postsecondary institutions. These reform programs involve compensation regulations, including wage-and-hour standards, unemployment compensation, Social Security tax increases, and retirement benefit regulations. Generally, the costs of these programs directly affect those specific items in the operating budget. Increases in the minimum wage, maximum taxable earnings (for Social Security purposes) and in the Social Security tax-contribution rate, all have an important impact on college and university budgets. Over time, the dollar costs of maintaining a constant level in terms of numbers of both faculty and nonacademic staff have increased dramatically because of these compensation requirements. It can be argued that because of the labor-intensive nature of the higher education enterprise, increased employment taxes have a greater impact on the educational sector than on the business sector.

The public policy to expand educational and employment opportunities for nontraditional students, while also improving minimum standards for employees, has "contributed substantially to the instability of costs at . . . institutions from year to year and thus [has] compounded their difficulties in financial management and budgeting." 97/ These programs are particularly significant for independent colleges and universities, as they have little flexibility within a budget year to raise prices to generate new funds and are constantly searching for additional sources of funds needed to maintain current levels of operation.

The public postsecondary institutions can more easily meet the costs of compliance with the several new federal and State regulations because they are eligible for State aid in the form of increased budget funding, postponement of compliance (particularly where the State is the enforcement agency), or services provided at the State's cost but not charged to the institution's budget. In contrast, independent institutions in California are constitutionally ineligible for any direct aid from the State. Thus, with the

continual increase in the costs of these programs, independent institutions will either need to find major new sources of funding or divert more and more of the budget designated for educational programs to the administration and financing of compliance efforts. The smaller independent colleges, with limited administrative staff, are particularly affected by compliance requirements.

Increased Information Reporting Requirements

The information-reporting requirements for postsecondary institutions have increased dramatically during the past ten years. Federal agencies, particularly the Education Division of the Department of Health, Education, and Welfare, have expanded their demands for detailed information about various aspects of the operation of postsecondary institutions. An example of these information requests is the Higher Education General Information Survey (HEGIS). This annual survey gathers detailed information concerning degrees conferred, college and university libraries, financial matters, enrollment, institutional characteristics, faculty salaries, fringe benefits, and tenure. In the 1977-78 survey, the questionnaire included eighty-five pages of definitions and tables to be completed by the college administrators.

On the State level, the Postsecondary Education Commission has become a major source of requests for information from California colleges and universities. In carrying out the many responsibilities assigned to it by the Legislature, the Commission has increased the information-reporting requirements placed upon college administrators. To illustrate, a twenty-page questionnaire was distributed to each of the independent institutions in order to gather the data utilized in the analysis presented in this report. Most of the research performed by the Commission staff necessarily includes requests for information from the public and/or independent colleges and universities.

The most important implication of this development is the increased cost to all postsecondary institutions for researching, maintaining, and filing the data requested by the federal and State governments. 98/ Public institutions are eligible for State aid in the form of increased budget funding to meet such costs. Independent institutions are not, however, and as the information reporting requirements increase, the cost of compliance becomes an increasingly significant problem.

Expanded Information Disclosure by Public Officials and Trustees

Trustee liability and conflict-of-interest restrictions may hamper the ability of independent institutions to recruit able leadership. Although the laws governing the actions of trustees of nonpublic institutions have not changed, new requirements and restrictions regarding financial disclosure and conflicts-of-interest for public officials and trustees may lead to a stricter interpretation of existing regulations for private institutions.

Under current law, trustees of independent and public institutions are required to act in "highest good faith" towards their trusts, to avoid commitments or transactions which might adversely affect their beneficiaries, and to disclose assumption of trust or other responsibilities adverse in nature to the activities of their beneficiaries. Moreover, trustees may not use trust property for personal profit. Should they violate this provision, they may be held accountable for all profits, and may be required to replace (with interest) any property they may have disposed of. Further, a trustee can be held responsible for the wrongful acts of a co-trustee to which he/she consented, or which, by negligence, he/she enabled the latter to commit. Finally, a member can be found guilty of fraud against the beneficiary of a trust should any of the above provisions be violated. 99/

With the passage of the Fair Political Practices Act of 1974, California now requires full disclosure before appointment or confirmation of upper-level governmental officials, as well as members of commissions and public governing boards and institutions. Private educational institutions may find Civil Code regulations of trustee activities interpreted more strictly in order to guarantee their beneficiaries the same information rights as those of public institutions. The precedent for government oversight of nonpublic trusts exists in the Attorney General's responsibility to protect the interests of the beneficiaries of charitable trusts, a classification under which many independent institutions fall. Should independent institutions fail to comply with the stricter interpretations of trustee responsibility, they may become liable for State suits charging fraudulent trustee activities.

Until recently, independent institutions have not found trustee regulations or their enforcement to be deterrents in attracting able trustees. However, a changing social climate has created a desire for full information regarding the financial commitments of and influences on officials in decision-making positions. The traditional pool of trustees for both public and independent institutions has been, in large part, made up of leaders in the business community. These people usually have extensive personal financial resources

and commitments, as well as corporate financial involvement in a variety of areas. They are sensitive to disclosure requirements and conflict-of-interest restrictions on two levels. First, they dislike revealing the sources and kinds of financial resources that they or their business have; second, they may also feel some resentment at having to reveal these commitments in order to serve on voluntary, nonprofit boards. Further, the trend towards stricter interpretation of trustee responsibility may lead to increased personal liability for losses to trust or endowment funds or deficit budgets incurred in the operation of an institution. The combination of disclosure requirements and personal risk may cause traditional candidates to make themselves unavailable for the public-service trust boards of independent colleges and universities.

No or Low Tuition in Public Postsecondary Institutions

Current public policy in California provides for no tuition for students attending Community Colleges, and no or low tuition for students attending public four-year institutions. An important result of this policy is to guarantee a substantial tuition differential between public and independent institutions, as the tuition charges at the latter are more directly tied to the costs of instruction. The independent sector has not been adversely affected by this policy on tuition because the State's student-assistance programs, particularly the State Scholarship Program, has provided an effective means to reduce the tuition gap for eligible students desiring to attend an independent institution. To maintain a strong independent sector, a fully funded State Scholarship Program therefore should be considered a necessary component of the public policy to maintain no or low tuition in public postsecondary institutions. 100/

Expansion of Off-Campus Degree Programs by Public Institutions

In the past six years, there has been a significant growth in the number and variety of external degree programs offered by both public and independent postsecondary institutions. However, despite this rapid growth, there currently exists no policy consensus about how the programs should be administered and what costs and sources of funding are appropriate.

The University of California, in 1971, allocated $500,000 in special Regent's funds for the planning and implementation of a three-year pilot program of part-time/off-campus degree study. The pilot program was initiated in 1972-73 as the Extended University, and was funded through an allocation from the Regent's budget and through approximately $375,000 of budgeted State funds reallocated

from regular student programs. The number of programs offered and students served expanded over the next two years, with a corresponding increase in State support.

HISTORY OF EXTENDED UNIVERSITY

Year	Number of Programs	Number of FTE Students	Amount of State Support
1972-73	7	120.9	$ 375,000
1973-74	19	478.0	806.949
1974-75	24	749.0	1,306,925
1975-76	--	1,206.0	0

The Extended University has not been funded through State funds since the final year of the pilot program. The Governor has opposed continued State funding, arguing that the University could operate the program with its own resources. The Legislative Analyst's Office has concurred on this decision, arguing that additional State resources should not be provided "pending clarification of the State's policies regarding adult learning." 101/

Prior to 1977, the external degree program developed by the California State University and Colleges was supported primarily from the Continuing Education Reserve Fund, which consists of surpluses in the self-supported Extension and summer school program budgets. A small amount of State funding was received in 1973-74 and 1974-75 for program development and coordination on a statewide basis. However, the on-going costs of instruction and administration were paid for almost entirely through user payments (student fees) which, in 1976, ranged from $35 to $63 per semester unit (approximately 250 percent of the rate for full-time/on-campus degree programs). Students with demonstrated financial need have been eligible for a waiver (beyond the fee for the first unit) of all or part of their total fees. This fee waiver program has been financed with State funds appropriated by the Legislature.

In 1976, the Trustees of the State University decided to revise existing policy and to shift the financing of off-campus programs from the student to the State. 102/ This action followed a recommendation from the System's Commission on External Degree Programs that off-campus degree granting programs "be supported by the State on the same basis as on-campus programs, except where such programs are designed to serve special purposes." 103/ The 1978-79 Governor's Budget begins the implementation of this policy, providing General Fund support for off-campus degree programs.

The Legislative Analyst's Office has concluded that because General Fund support for off-campus degree programs maintained by the State University "is a major change in policy, with potential significant fiscal and programmatic impact, we believe the entire issue merits thorough legislative review." 104/ Accordingly, the Legislative Analyst has recommended "that the Chancellor's Office submit a comprehensive report to the Legislature by November 1, 1979, detailing the 1978-79 experience with off-campus instruction." 105/

Although the early 1970s saw a rather cautious and slow growth in the State University's involvement in external degree offerings, "the present trend is in the direction of an accelerated increase in both the number of programs offered and in the number of students served." 106/ Enrollment in the external degree programs increased from 517 students in Fall 1972 to 3,733 students in Fall 1975. Thirteen State University campuses currently offer approximately 50 external degree programs, serving almost 1,800 FTE students. 107/

The California Community Colleges are the most active of the public segments in the development and expansion of off-campus/degree-granting programs. In Fall 1975, 83 percent of all students in off-campus programs were registered in courses offered by Community Colleges. 108/ During the same year, the Community Colleges offered 870 off-campus degree programs. While these programs are not funded directly by the State, they are financed through local Community College district taxes.

Off-campus, degree-granting programs are offered by sixteen independent institutions. 109/ Most of these programs lead to the baccalaureate and master's degree, and thus are not competitive with the programs offered by the Community Colleges. However, since the State University receives significant State funding for its off-campus programs, those offered by the independent institutions may be weakened. Under the previous arrangement, tuition for off-campus programs offered by independent institutions was competitive with that charged by public institutions, whose programs were also self-supporting. As tuition for the external degree programs of the public institutions is eliminated or drastically reduced, competing programs in the independent sector may lose students. Those independent institutions which depend upon off-campus programs as an important source of revenue will be financially weakened.

Two years ago, the Legislative Analyst argued that the State funding should not be provided for off-campus degree programs because, "as yet there is no consensus as to what the demand is, how the programs should be administered, who should be served,

and what costs and sources of funding are appropriate." 110/ While this policy has been changed with regard to the State University's off-campus degree programs, many of these questions are still unresolved. 111/ During the coming year, it is important for the Commission and the other responsible agencies to address these questions and to consider the implications of this new policy for the financial condition of the independent institutions.

Increased Environmental and Land-Use Concerns

During the past ten years, local government's have become increasingly concerned with the environmental impact of land-use decisions, including population densities and kinds of use. Without questioning the desirability of a public policy of strict environmental control, it should be noted that such tightening of local controls has had an impact on independent postsecondary institutions.

There are two kinds of institutional decisions which are affected by local government control--decisions to expand enrollment, and decisions to expand physical plant. Local efforts to limit population density, and to control the traffic, noise, and other problems that come with population growth, have led to the imposition of enrollment limitations on some independent colleges in California. Moreover, restrictions on campus development have caused some institutions to have problems providing the facilities required to meet their educational objectives.

Independent institutions dealing with the financial stringencies of the 1970s and 1980s will have to find ways in which to offset continuing inflation. This can be done by significant tuition increases and/or by greatly increased gift income. For many institutions, however, the most acceptable and feasible solution is to increase enrollments.

In addition, independent institutions must maintain minimum program depth in an economically feasible way. A number of studies show that economic feasibility in the 1980s will apparently require a 20:1 student/faculty ratio. In the past, fourteen students to each faculty member was considered economically and educationally sound. Thus, a college which once based the size of its faculty size on the 14:1 ratio will be forced to increase its student body in order to achieve a 20:1 ratio. Increased growth will also permit an increased student/staff ratio, thereby reducing the currently high percentage of personnel costs in the operating budget.

Without the ability to expand either the physical plant or student enrollment, some independent institutions may find it necessary to

curtail present programs below the level required for a liberal arts college and to raise tuition beyond the reach of many potential students, thus forcing themselves in a downward cycle of decreasing enrollments, program cuts, and loss of educational quality.

CHAPTER 7

ALTERNATIVES IN STATE ASSISTANCE TO INDEPENDENT INSTITUTIONS

Previous chapters of this report have concluded that: (1) the independent colleges and universities in California make many important contributions and serve important public purposes; (2) while the majority of California's independent colleges and universities seem to be in stable financial condition, there is considerable evidence of tight budgets and steady financial erosion; and (3) the State student-assistance programs, particularly the State Scholarship Program, are of vital importance to the financial stability of the independent sector.

The purposes of this chapter are: (1) to review the several alternative methods of providing financial assistance to independent institutions; (2) to evaluate the relative economic cost to the State of continuing its current policy of assisting independent institutions through the student aid programs; and (3) to offer general conclusions concerning policy alternatives in State assistance.

Alternative Forms of Financial Assistance

State financial assistance to independent postsecondary institutions can take four general forms: (1) direct grants to institutions; (2) direct grants for specific programs or purposes; (3) financial aid to students; and/or (4) indirect assistance. 112/ Many states use a combination of these forms of assistance.

Direct grants to institutions may include either grants to all eligible institutions (on the basis of enrollment or degrees conferred) or grants to specified institutions. Several states currently provide some type of general institutional support to one or more independent colleges. Pennsylvania, for example, has provided direct financial assistance since the colonial period, and currently allocates approximately one-third of its higher education budget to independent, nonsectarian colleges. New York adopted the "Bundy aid" program in 1969, which provides independent institutions flat amounts of aid based on the number of degrees awarded annually. Illinois began a similar program in 1971, providing general assistance grants to independent institutions based on the number of full-time undergraduate students enrolled.

Direct grants for specific programs and purposes may include either service contracts (such as for the operation of a medical school) or project grants (such as for support of library activities). Many states offer direct support to independent medical or dental schools

"based on a unit cost per student enrolled or per student enrolled above the enrollment for a base year." 113/ The purpose for this type of aid is to provide the least expensive method for the state to train the supply of personnel required to meet the health care needs of its citizens.

Programs of financial aid to students are the principal form of state aid to independent institutions throughout the nation. The primary purpose of these programs is to provide students access to and choice among various postsecondary alternatives, rather than to provide support to any particular kind of institution. The student aid programs include competitive scholarships based upon merit and need, noncompetitive tuition grants based upon need, and direct student loans. These programs are for students attending either public or independent institutions. Some states also maintain programs for tuition-offset grants, which are intended to offset the difference in tuition rates between public and independent institutions.

There are several types of indirect assistance programs utilized by states, including tax benefits for institutions (such as exemption from property, sales, and excise taxes) and tax benefits for individuals who make donations to educational institutions. Some states allow independent institutions to participate in centralized state purchasing programs, providing the financial benefits of large-volume purchases. States have also established educational facilities authorities which are authorized to provide long-term construction loans to independent institutions. 114/ Two states have granted independent institutions the right to use eminent domain in condemnation proceedings.

Advantages/Disadvantages of the Forms of Assistance

Direct financial assistance to independent institutions, particularly that which takes the form of contracts for programs or educational services, gives a state the ability to fund specific functions of independent institutions and to control appropriations according to the level of services needed. When the public institutions are close to the limits of their capacity, direct aid to independent institutions may be the most cost-effective method of utilizing limited state funds. "Productivity payments" based on the number of students enrolled or on the number of degrees awarded may be less expensive to a state than large capital expenditures to increase the capacities of public institutions.

There are disadvantages for independent institutions in accepting direct state appropriations. The most important of these is the difficulty of maintaining institutional independence. Institutions

which receive direct grants become accountable for the utilization of these funds. Restrictions or guidelines on the use of state funds may be regarded as an infringement on the freedom of an independent institution to operate as it sees best. As independent institutions become increasingly dependent on direct state appropriations as a source of funding, the distinction between a public and an independent institution becomes blurred. Moreover, direct appropriations are not necessarily related to student need.

Providing financial assistance through state student-assistance programs is a reasonable means of financing postsecondary education in that it allows the educational consumer--the student--to decide which institution should receive public funds. Student-assistance programs allow the state's colleges and universities to compete constructively, and encourage institutions to meet the educational demands of students. Such programs also promote institutional independence and limit the need for a state to require direct accountability from the independent sector. One criticism of this form of state aid is that the encouragement of a comprehensive, free-market atmosphere for all of postsecondary education may result in less diversity among institutions. Colleges may attempt to be attractive to the majority of students, resulting in programs with wide general appeal and the elimination of diverse, special-interest offerings.

State Assistance in California

California finances postsecondary education primarily through direct support for public institutions. During the past ten years, approximately 95 percent of the State funds allocated for postsecondary education went to the three public segments as direct State support. (See Table 56.) In 1976-77, the State expended approximately $2 billion for postsecondary education. The Student Aid Commission received less than 4 percent of this total, to be utilized in financial assistance for students. Of the total authorized funding, the University of California received 37.6 percent, the California State University and Colleges 33.2 percent, and the California Community Colleges 25.5 percent.

State assistance to independent institutions in California is primarily through student financial aid. Approximately 2 percent of the State funds expended for postsecondary education during the past ten years have been received by the independent institutions through student financial assistance programs. In 1976-77, the independent colleges received $47 million, through these programs--approximately 2.6 percent of the total $2 billion expended in State support for postsecondary education in California. The independent institutions also receive indirect assistance through the issuance of tax-exempt bonds for facilities construction, as well as

Table 56

TOTAL CALIFORNIA STATE FUNDS EXPENDED FOR POSTSECONDARY EDUCATION (Operating Expenses)

Fiscal Year	Total ($000)	University of California ($000)	California State University and Colleges ($000)	California Community Colleges ($000)	Miscellaneous Allocations ($000)	Student Aid Programs ($000)	Student Aid Programs Percent of Total	Student Assistance Received at Independent Institutions ($000)	Student Assistance Received at Independent Institutions Percent of Total
1966-67 1/	$ 489,102	$240,388	$176,019	$ 66,000	$1,664	$ 5,031	1.0%	$ 4,017.0	.8%
1967-68 1/	534,209	243,670	196,993	85,300	1,793	6,453	1.2	4,634.2	.9
1968-69 1/	637,788	291,084	238,783	96,310	2,612	8,999	1.4	7,016.0	1.1
1969-70 2/	760,126	329,334	284,963	130,537	2,291	13,002	1.7	10,557.4	1.4
1970-71 3/	819,559	337,079	305,132	158,846	2,403	16,099	2.0	12,128.8	1.5
1971-72 4/	844,729	335,578	316,250	171,036	2,432	19,433	2.3	14,571.8	1.7
1972-73 5/	981,698	384,705	373,181	192,081	3,251	28,480	2.9	19,518.7	2.0
1973-74 6/	1,203,799	445,910	428,919	289,362	4,031	35,577	3.0	24,308.9	2.0
1974-75 7/	1,397,224	514,566	481,546	353,565	5,062	42,483	3.0	33,014.8	2.4
1975-76 8/	1,597,342	585,461	537,990	414,269	5,992	53,630	3.4	41,091.1	2.6
1976-77 9/	1,819,844	683,742	604,833	464,460	7,014	59,795	3.3	47,128.3	2.6
1977-78 9/ (est)	2,000,637	737,524	672,524	512,570	7,921	70,098	3.3	50,270.0	2.5
1978-79 9/ (proposed)	2,135,414	782,197	698,095	567,341	8,365	79,416	3.7	53,706.0	2.5

Miscellaneous allocations includes appropriations for the California Postsecondary Education Commission, California Maritime Academy, and Hastings College of Law.

1/ Chambers, M. M., A Record of Progress: Ten Years of State Tax Support of Higher Education, 1959-60 through 1968-69, the Interstate Printers and Publishers, Inc., Danville, Illinois, 1969.
2/ Governor's Budget, 1971-72
3/ Governor's Budget, 1972-73
4/ Governor's Budget, 1973-74
5/ Governor's Budget, 1974-75
6/ Governor's Budget, 1975-76
7/ Governor's Budget, 1976-77
8/ Governor's Budget, 1977-78
9/ Governor's Budget, 1978-79

NOTE: Projections are not available beyond 1978-79.

through the right of eminent domain and an exemption from property taxation. Direct grants to independent institutions are explicitly prohibited by the California Constitution. Article IX, Section 8 states that:

> No public money shall ever be appropriated for the support of any sectarian or denominational school, or any school not under the exclusive control of the officers of the public schools; nor shall any sectarian or denominational doctrine be taught, or instruction thereon be permitted, directly or indirectly, in any of the common schools of this State.

A second provision, Article XVI, Section 3, provides that no money shall be appropriated for the purpose or benefit of any institution "not under the exclusive management and control of the State as a state institution . . . ."

In 1970 there was an unsuccessful attempt to revise this constitutional prohibition of direct aid. The previous year, the Constitution Revision Commission proposed amending the State Constitution so that "the Legislature may provide for aid to nonprofit institutions of higher education, but only for a nonsectarian, educational, public purpose." 115/ Assemblyman W. Craig Biddle introduced Assembly Constitutional Amendment No. 47 in March 1970. This bill, as drafted by the Association of Independent California Colleges and Universities, reflected the recommendation of the Constitutional Revision Commission. ACA 47 passed the Assembly, but it failed passage in the Senate by one vote. 116/

An Evaluation of California's Student Assistance Programs

Two issues to be considered in an evaluation of California's policy of providing financial assistance to students attending independent institutions are: (1) compared to the educational costs at public institutions in California, have these programs provided for efficient utilization of the State's educational resources, and (2) compared to the financial support provided to independent institutions in other states, is the State of California providing a reasonable amount of financial support per student educated in the independent sector?

The State student-assistance programs in California have provided for an effective utilization of the financial resources available for postsecondary education. The average scholarship award to students attending an independent institution has been lower each year than the average educational cost per FTE student enrolled in the State University. While available data and research methods

utilized in determining "costs of instruction" at public institutions are not sufficiently refined to allow specific comparisons of educational costs, 11/ it is clear that the State subsidy provided to students attending independent institutions has been roughly equal to, or somewhat lower than, the average State support provided for students at the State University and Colleges. Moreover, during the past three years, the average cost to the State per FTE student at the State University has increased significantly, while the average subsidy for students attending independent institutions has remained basically constant.

COMPARISON OF STATE SUBSIDY TO STUDENTS IN THE PUBLIC AND INDEPENDENT SEGMENTS

Fiscal Year	Average FTE Student Cost State University and Colleges		Average Scholarship Award at Independent Institutions
	Estimate A	Estimate B	
1970-71	$ 1,495		$1,446
1971-72	1,496		1,464
1972-73	1,692	$ 1,667	1,676
1973-74	1,911	1,884	1,784
1974-75	2,118	2,096	1,949
1975-76	2,279	2,245	2,174
1976-77	2,622	2,377	2,094
1977-78		2,811	2,164

Note: The average scholarship award at independent institutions is provided in the annual Governor's Budget. The average cost per FTE student at the State University is provided from two sources: Column A is determined by dividing the annual allocation for the State University by the number of FTE students during the same year. Column B is provided in the annual Governor's Budget.

Compared to all other states, California provides the highest maximum scholarship award for students attending an independent institution. The maximum award in California in 1977-78 was $2,700, with the next largest maximum award in South Carolina at $1,600. For 1977-78, the mean maximum award nationwide was $1,045.

STATE/PROGRAMS WITH AWARDS LIMITED TO TUITION AND MANDATORY FEES AND LEGAL MAXIMUM AWARD FOR 1977-78

STATE/PROGRAM	AWARD MAXIMUM
Arkansas	$ 300
California	
State Scholarships	2,700
Delaware	
Higher Educ. Scholarships	800
Hawaii	750
Illinois	1,350
Indiana	
State Scholarships	1,400
Educ. Grants	1,400
Freedom of Choice Grants	600
Iowa	
Scholarships	600
Tuition Grants	1,300
Voc./Tech. Grants	400
Kentucky	850
Michigan	
Scholarships	1,200
Tuition Grants	1,200
Montana	300
New Jersey	
Prob. Tuition Aid Grants	Varies
Tuition Aid Grants	1,000
County College Grants	500
Educ. Inc. Grants	500
Scholarships	500
New York	
Tuition Assistance Prog.	$ 1,500
Regents Scholarships	1,000
Ohio	1,300
Oklahoma	500
Pennsylvania	1,300
South Carolina	1,600
South Dakota	1,300
Tennessee	1,200
Texas	
Tuition Grants	600
Student Incentive Grants	600
Virginia	700
West Virginia	1,444
Wisconsin	
Tuition Grants	1,500
Wyoming	1,500
These programs represent	
% OF ALL STATES AWARD	79.9%
% OF ALL STATE AWARD DOLLARS	78.9%
MEAN MAXIMUM AWARD	$ 1,045
MEAN WEIGHTED MAX. AWARD	1,042
MEAN AWARD OF ALL THESE PROGRAMS	$ 618

Source: National Association of State Scholarship and Grant Programs (NASSGP), 9th Annual Survey, 1977-78 Academic Year, prepared by Joseph D. Boyd and Karen L. Pennell, Deerfield, Illinois, 60015, (1977), p. 21.

Despite the high award level, California provides only a moderate amount of financial support per student enrolled in the independent sector. A comparison was made with five other states with a large independent sector: Illinois, Michigan, New York, Pennsylvania, and Texas. The methods utilized in these states for providing financial assistance to independent institutions are summarized below:

Illinois has a comprehensive program of state aid to independent colleges and universities. Private institutions receive direct grants for state residents enrolled: $100 for each lower-division student and $200 for each upper-division student. Illinois also has a variety of student-assistance programs based on need and merit. Included among these is the Freedom of Choice Grant Program, which provides an additional award of up to $600 for students attending an independent college and qualifying for maximum awards under the State Scholarship or Education Grant programs. State assistance to independent institutions in Illinois amounts to 7.9 percent of the state's postsecondary education budget.

In Michigan state aid to independnet postsecondary education consists of direct institutional grants and an extensive student assistance program. Direct grants of $200 for each associate degree, $400 for each baccalaureate and master's degree, and $1,200 for each doctoral degree granted by nonpublic colleges and universities are authorized. A competitive scholarship program provides awards of up to $1,200 for students at either public or private institutions. Tuition-grant program awards are based entirely on the financial need of students attending independent institutions which charge a tuition greater than $480. Independent institutions in Michigan receive 3.1 percent of the state's total postsecondary education budget.

In New York state aid to independent institutions takes many forms. The Bundy Program grants funds to institutions based on the number of degrees awarded: $330 for each associate; $940 for each baccalaureate; $650 for each master's and $3,100 for each doctoral degree. Higher Education Opportunity Funds are allocated directly to independent institutions for programs for disadvantaged students. The state has endowed ten chairs in the sciences and humanities at ten independent institutions, and appropriates funds for science and technology research at both independent and public institutions. In addition, the state operates student-assistance programs based on merit and need for students at independent and public colleges and universities. Approximately 14 percent of the funds expended for postsecondary education by the State of New York is allocated to independent institutions.

Pennsylvania utilizes both direct institutional aid and student-assistance programs to provide funds to independent colleges and universities. There are thirteen independent institutions (referred to as state-related) which receive significant direct state funding for programs considered to benefit the state. In addition, these and other eligible independent institutions receive direct grants of up to $400 for each state scholarship recipient enrolled. Matching funds for remedial programs for disadvantaged students are available from the state. Student-assistance programs based on financial need are funded by the state, and include Senatorial Scholarships for use at four of the state-related institutions, as well as at the University of Pennsylvania (an independent institution). As a result of these programs, 13.7 percent of Pennsylvania's postsecondary education budget goes to independent colleges and universities.

Only 1 percent of Texas' postsecondary education budget is used at independent institutions. The major part of this amount is provided through student-assistance programs, including Tuition Equalization Grants of up to $600 for Texas residents attending in-state independent institutions. In addition, there are need-based grant and loan programs, including some funding available for out-of-state students attending Texas colleges and universities.

A comparative analysis of the financial support provided per FTE student in the independent sector in California and five other states indicates that the State of California provides a relatively moderate amount of financial assistance to students at independent colleges. New York, Pennsylvania, and Illinois provide a considerably larger financial subsidy to their independent institutions (per FTE student enrolled) than does California. Michigan provides approximately the same amount, while Texas provides a significantly smaller amount.

Current Policy Alternatives

There are several alternative methods available in California to provide financial assistance to independent institutions:

1. Increase the amount of State financial aid available to students. This can be accomplished either by increasing the number of available awards and/or by increasing the amount of the maximum possible award.

2. Establish State tuition-equalization grants (or fund the Tuition Grant Program).

STATE SUPPORT OF INDEPENDENT INSTITUTIONS 1976-77

	California	Illinois	Michigan	New York	Pennsylvania	Texas
Student Aid Per FTE Student in Independent Institutions 1/	$ 328	$ 400	$ 327	$ 319	$ 273	$ 141
Direct Aid Per FTE Student in Independent Institutions 2/	-0-	$ 72	$ 40	$ 243	$ 320	-0-
Total Aid Per FTE Student in Independent Institutions	$ 328	$ 472	$ 367	$ 562	$ 593	$ 141
FTE Enrollment in Independent Institutions 3/	136,661	113,879	49,681	304,935	152,550	67,032
FTE Enrollment in Postsecondary Education	971,193	370,894	318,670	679,995	351,418	397,915
Percent of FTE Enrollment in Independent Institutions	14.1%	30.7%	15.6%	44.9%	43.4%	16.8%
Total Dollars to Independent Institutions ($000)	$ 44,824.8	$ 53,750.9	$ 18,299.0	$ 171,373.5	$ 90,462.2	$ 9,451.5
Total State Dollars to Postsecondary Education ($000) 4/	$1,825,400.0	$680,971.0	$593,930.0	$1,251,096.0	$659,781.0	$918,589.0
Percent of State Dollars to Independent Institutions	2.5%	7.9%	3.1%	13.7%	13.7%	1.0%

Sources: 1/ Education Commission of the States, Task Force on State Policy and Independent Higher Education, June 1977. Need-based grant programs only. From Joseph D. Boyd, National Association of State Scholarship and Grant Programs, 8th Annual Survey, NASSGP, Deerfield, Ill., 1976. Includes state pass-through of federal SSIG funds, which constitute about 6 percent of state scholarship allocations.

2/ Ibid., Excluding grants and contracts for health-related programs (typically, support for medical and dental schools). Source: Nancy Berve, "State Support of Private Higher Education," Higher Education in the States, Vol. 6, No. 1, 1977.

3/ Compiled as full-time plus one-third part-time. Based on data reported through HEGIS, available from California Postsecondary Education Commission, Information Systems Division.

4/ N. N. Chambers, Grapevine, November 1976, p. 1410, Department of Educational Administration, Illinois State University.

3. Expand the practice of contracting for specific educational services.

4. Implement (or increase) tuition at the public institutions.

5. Revise the Constitution to allow direct State grants to independent institutions.

6. Provide tax relief through tax credits or tax deductions for tuition payments.

In considering these alternatives it should be emphasized that past and present policy toward the independent sector has generally been successful in achieving the State's goals, as indicated by the following: (1) the financial condition of the independent sector is generally stable, (2) the independent institutions offer many important contributions to students in postsecondary education in California, and (3) the student-assistance programs have provided significant financial aid to students attending independent institutions while also efficiently utilizing the State's limited financial resources.

Conclusions

Commission staff has reviewed these six alternatives and, within the context of the analysis provided in the previous chapters, offers the following conclusions:

1. At the present time, the financial condition of independent institutions in California does not call for the examination of the appropriateness of direct State grants. Because State and federal student-assistance programs have provided a significant number of students the opportunity to attend an independent institution, there is no currently demonstrable need for new policy initiatives to provide State financial assistance to the independent sector. Under the current provisions of the California Constitution, it has not been the policy of the State to provide direct assistance to financially weak independent colleges and universities. Moreover, there is no currently demonstrable need to consider revision of the constitutional prohibition of direct State grants to independent postsecondary institutions, and independent institution leaders believe that direct grants could lead to loss of essential autonomy and thus do not seek them.

2. The State's student-assistance programs have provided independent institutions a reasonable and fair opportunity to compete with public institutions in the

recruitment and education of students, while also encouraging constructive competition between public and independent institutions to promote high-quality and diversified educational opportunities. State policy decisions about student-assistance programs should continue to reflect an appreciation of the many non-cost-related benefits produced by the independent colleges, and enjoyed by the California citizenry. Thus far, the average State subsidy provided to students choosing to attend an independent institution has been a reasonable and acceptable cost to the State.

3. Contracting can be a cost-effective method for training personnel in needed occupations, but it has been used only to a limited extent in California. However, until the constitutionality of the State's contracting for such training is determined, there is little point in pursuing this method of providing financial assistance to the independent sector. Moreover, this approach has limited applicability for most of California's independent degree-granting institutions. 118/

4. A decision to implement or increase tuition at public institutions should not be made simply to assist the independent colleges by reducing the present tuition gap. Public policy decisions concerning tuition levels should only be made within the context of the most effective and desirable method to finance postsecondary education generally.

5. Providing either tax credits or tax deductions for tuition is undesirable because: (1) it would be regressive in the impact on families since those with higher incomes would gain more than those with lower incomes; and (2) it would reduce public revenues without substantially assisting the independent institutions since the majority of the tax credits would benefit the more numerous families whose children attend public institutions) 119/

CHAPTER 8

RECOMMENDATIONS FOR STATE POLICY TOWARD INDEPENDENT POSTSECONDARY INSTITUTIONS

There does not yet exist a concisely articulated public policy with respect to independent postsecondary education. While a general consensus has developed concerning the goals of student-assistance programs and the desirability of providing financial aid to students attending independent colleges, the Legislature has not accepted a specific policy statement to guide their actions and decisions vis-a-vis the independent sector.

In recognition of the need for concise policy guidelines, the Legislature requested the Commission, through Assembly Bill 622, 120/ to conduct a comprehensive study of independent colleges and universities and to include the following analysis:

- determine the goals, objectives, and priorities of State aid to independent colleges and universities;
- recommend policies which might guide the delivery of State assistance;
- develop criteria for determining the appropriate level of assistance;
- develop criteria for assessing the financial condition of independent colleges and universities;
- recommend possible modifications in existing programs that currently provide aid to independent institutions;
- assess the contributions made to postsecondary education and to California by independent colleges and universities in California; and
- assess the degree to which State aid will in the future result in a net savings to the State by diverting students to independent colleges and universities.

In response to this request from the Legislature for specific guidance concerning State policy affecting independent postsecondary institutions, and based upon the lengthy analysis provided in the previous sections, the Commission offers the following conclusions and recommendations:

(1) The independent colleges and universities in California make many important contributions to postsecondary education and

serve important public purposes in the State. The contributions and purposes include: independence of governance; constructive competition with the public institutions; educational opportunities for ethnic minorities and low-income students; training for lawyers, doctors, dentists, and other health care personnel; diversity of postsecondary alternatives; contributions to the economic and cultural vitality of their communities, and a cost savings to the State and the California taxpayer.

(2) The State's student-assistance programs, particularly its scholarship program, are of vital importance to the financial stability of the independent sector. These programs have been successful in achieving the dual objectives of (1) providing the necessary financial assistance so that capable students with demonstrated need have the ability to choose the most appropriate postsecondary educational opportunity and (2) providing assistance to individuals who desire to enroll in an independent college or university. Since many student aid recipients have chosen to attend an independent institution, these programs have also helped to maintain the financial strength of the independent segment of postsecondary education. However, a potential problem area in the State student-assistance programs is the increasing difficulty that students with parental net incomes of between $12,000 and $15,000 are experiencing in utilizing financial assistance to attend an independent institution.

(3) While there is some evidence of institutional weakness and potential deterioration, the majority of California's independent colleges and universities seem to be in relatively stable financial health, with revenues increasing faster than expenditures. This financial health, which is partially the result of growing State and federal programs of student aid, covers the range of independent institutions, from the large, comprehensive university to the small, specialized college. Institutions with a weak financial status are found in almost every group, although they are most prevalent among small Liberal Arts Colleges with enrollments under 1,000, Liberal Arts Colleges with selective admission policies, and Bible Colleges. Moreover, some of the institutions which demonstrate relatively stable financial health are balancing their annual budgets by cutting or deferring expenditures necessary to maintain quality programs, faculty, and physical plant.

Although some institutions have experienced a significant drop in enrollments, the independent sector, as a whole, has increased enrollment levels during the past seven years. The

reduction in enrollment experienced in 1971 and 1972 was recovered through increased enrollments in the following four years. The Liberal Arts Colleges with selective admissions policies, the Specialized Institutions, and the Bible Colleges and Schools of Theology experienced reductions in total enrollment during the seven-year period considered, as well as a major drop in the number of applications for admission received from propsective new students.

While there is little evidence of a major retrenchment within the independent sector in faculty staffing, there is considerable evidence of tight budgets and steady financial erosion, as indicated by the restraint in faculty salary increases and by the cutback in other nonacademic staff. To the extent that inflation and the resulting financial erosion continues, the quality of education within the independent sector can be expected to deteriorate. This trend is particularly true for the small Liberal Arts Colleges with enrollments under 1,000. Faculty salaries within the independent sector (as well as the public sector) have not kept pace with the rise in the Consumer Price Index.

(4) During the next ten years the total enrollment level in post-secondary education can be expected to increase, although a larger proportion of these students will attend on a part-time basis. Consequently, full-time-equivalent (FTE) enrollments will probably decrease in many public and independent institutions. While the size of this decrease will vary from campus to campus (and many campuses will experience either an increase or enrollment stability), it can be expected that within the next ten years some campuses within each of the segments will experience a significant reduction in the number of students and/or the need for faculty layoffs caused by a decline in FTE enrollments. While it can be expected that the competition for students will increase among independent and public institutions, there is no evidence to indicate the independent sector will be unable to compete successfully as long as the federal and State governments continue to maintain extensive student-assistance programs.

(5) At the present time, the financial condition of the independent institutions does not call for the examination of the appropriateness of direct State grants. Because the State and federal student-assistance programs have provided a significant number of students the opportunity to attend independent institutions, there is no currently demonstrated need for new policy initiatives to provide State financial assistance to the independent sector. Under the current provisions of the California Constitution, it has not been the policy of the State

to provide direct assistance to financially weak independent colleges and universities. Moreover, there is no currently demonstrated need to consider the revision of the constitutional prohibition of direct State grants to independent postsecondary institutions.

(6) A vital, healthy independent sector is a necessity, not a luxury, in California postsecondary education. State policy decisions about student-assistance programs should continue to reflect an appreciation of the many non-cost-related benefits produced by the independent colleges, and enjoyed by the California citizenry. However, an important public policy issue in this area is the amount the State should be willing to pay in order to achieve these benefits.

During the current period of stable enrollments and available classroom space in public postsecondary institutions, there is a need to consider carefully the economic cost to the State of providing students financial assistance to attend independent institutions. Such consideration is inhibited by the absence of accurate data on the costs of instruction within the public institutions, as well as by the lack of agreement on the appropriate method(s) to use in comparing educational costs in the public segments with average scholarship awards utilized by students attending independent institutions.

Despite the difficulty of presenting an accurate analysis of the degree to which State student assistance will in the future result in a net savings or loss to the State by providing financially needy students the opportunity to attend an independent college or university, the following conclusions are evident:

a) The average State subsidy provided to students choosing to attend an independent institution has been a reasonable and acceptable cost to the State. The educational benefits provided by the independent sector have justified the financial investment on the part of the State.

b) Compared to the types and amounts of financial assistance provided to independent institutions by other state governments, California provides a moderate amount of financial aid per student enrolled at independent colleges and universities.

(7) State policy must anticipate and be sensitive to potential problem areas for the independent (as well as the public) colleges and universities in California, particularly when these

problem areas are caused by changes in State policy toward other issues. Many complex aspects of public policy indirectly affect the financial and educational health of the independent sector. Among the issues of particular importance are: (1) the fiscal implications of current public policy to provide increased educational and employment opportunities for ethnic minorities, women, and persons with disabilities; (2) the fiscal implications of current public policy to develop detailed information about various aspects of the operation of institutions in order to improve the coordination of the several segments of postsecondary education; and (3) the fiscal implications of expanding off-campus degree programs by both independent and public institutions, as well as the expanding State financial support of these programs.

Recommendations

Based upon these conclusions and the preceding analysis, this study recommends the following guidelines for State actions and decisions vis-a-vis independent postsecondary institutions in California:

State Goals

Recommendation 1:

The existence of a healthy independent sector is necessary for the achievement of several important State goals in California postsecondary education. These goals are:

- to provide students the greatest possible opportunity to attend a postsecondary institution which most closely meets their perceived educational goals;
- to encourage and maintain independent governance of a major segment of California postsecondary education;
- to encourage diversity and constructive competition between the independent and public sectors, thereby providing a stimulus for innovation and positive change in all of postsecondary education;
- to encourage the most effective utilization of the State's postsecondary resources;
- to promote and maintain a diverse range of postsecondary alternatives for students in California;

- to provide, to a reasonable degree, financial assistance to individuals with demonstrated financial need who desire to enroll in an independent college and university;

- to promote access to postsecondary education for all persons in California regardless of income, race, ethnicity, age, sex, physical disabilities, or geographies; and

- to promote high-quality learning environments for students in postsecondary education.

Policy Guidelines

The Legislature and the Governor should utilize the following policy guidelines as they seek to achieve the goals listed above:

Recommendation 2:

Existing State policy to provide assistance to qualified students with financial need who desire to enroll in an independent institution should be continued, and should be coordinated with changes in federal student assistance programs. 121/ These programs are desirable and should be maintained in a way that will (1) give students the opportunity to attend the postsecondary institution which most closely meets their educational needs, (2) give independent institutions a reasonable and fair opportunity to compete with public institutions in the recruitment and education of students, and (3) encourage constructive competition between public and independent institutions to promote high-quality and diversified educational opportunities.

Recommendation 3:

The number of State student-assistance grants awarded for undergraduate instruction should be adjusted annually to reflect the aggregate number of individuals with financial need seeking access to and choice among postsecondary alternatives. The number of grants in the State Fellowship program (the only graduate-level, State student-assistance program) should be reviewed annually and adjusted as necessary to assure reasonable opportunity for qualified and eligible applicants to obtain such grants. Statute should be revised to give the Student Aid Commission the responsibility to develop and utilize this information as part of its annual budget request for changes in the number of student-assistance grants.

Recommendation 4:

The maximum amount of the Cal Grant (a) Scholarship award available for students choosing to attend an independent institution should be adjusted annually to reflect (1) the impact of inflation, (2) the aggregate financial need of individuals seeking access to and choice among postsecondary alternatives, (3) the scope and impact of existing federal and institutional student aid programs, and (4) changes in the undergraduate educational costs in public postsecondary institutions. Statute should be revised to give the Student Aid Commission the responsibility to develop and utilize this information as part of its annual budget request for adjustments in the size of the maximum award. Policy decisions on this issue should take into account the importance of the State Scholarship Program to the financial health of the independent sector.

Recommendation 5:

The Postsecondary Education Commission, in cooperation with the Student Aid Commission, should assess the impact of all student-assistance programs in California. Specifically, this assessment should include:

1) The opportunity for access and choice for students with need.

2) The extent to which costs of attendance are covered by available financial aid for students with need in the various segments.

3) Possible new forms of State financial aid, their advantages and disadvantages.

4) Possible modifications in existing State student-assistance programs.

Assessing the Financial Condition of Independent Colleges and Universities

The California Postsecondary Education Commission has the responsibility to

report annually to the Legislature and the Governor regarding the financial conditions of independent institutions, their enrollment and application figures, the number of student spaces available, and the respective cost of utilizing those spaces as compared to providing

additional public spaces. Such reports shall include recommendations concerning State policies and programs having a significant impact on independent institutions. 122/

In order to effectively meet this responsibility and provide the Legislature and the Governor thorough and comprehensive reports, the following recommendation is made:

Recommendation 6:

The Commission shall monitor the financial condition of the independent institutions and report annually to the Legislature and the Governor, making policy recommendations as appropriate. In preparing this annual assessment, the following criteria should be utilized:

- changes in the enrollment levels within the independent and public segments;
- numbers of applications for admission received by the independent and public institutions;
- changes in the employment level of faculty, administrators, clerical, and other nonacademic staff by independent institutions;
- rate of growth in the salaries of faculty at independent institutions compared to the rise in the Consumer Price Index;
- transfer of endowment funds and/or cash reserves in order to insure a balanced operating budget;
- changes in the net revenue ratio, which indicates the ability of an institution to control its expenditures relative to its revenues;
- changes in the educational and general revenues (in constant dollars), which indicates an institution's ability to increase revenues received from tuition and fees, State and federal government monies, private gifts, and endowment income;
- changes in the revenues from tuition and fees (in constant dollars), which indicates the institution's ability to increase revenues from tuition and fees;

- changes in net tuition and fee revenues, which indicates the relationship between an institution's expenditures on scholarships and fellowships and the revenues obtained from tuition and fee changes; and

- changes in educational and general expenditures per FTE student (in constant dollars), which indicates the impact of changes in enrollment level and of inflation on the educational expenditures of the institution.

These criteria should be assessed and revised periodically, as the methods of analysis and available data improve.

Recommendation 7:

The California Postsecondary Education Commission shall request annually an audited financial statement from each independent institution enrolling students receiving financial aid through State student-assistance programs. The contents of this financial statement shall be kept confidential and utilized by the Commission only to prepare the annual report to the Legislature concerning the financial health of the independent sector.

FOOTNOTES

1/ Chapter 462, Statutes of 1975.

2/ Chapter 1187, Statutes of 1973.

3/ See Postsecondary Education in California: Information Digest, 1978, published by the California Postsecondary Education Commission, Sacramento, 1978, pages 12-16, for a complete listing of these institutions.

4/ See The Role of the State in Private Postsecondary Education: Recommendations for Change, California Postsecondary Education Commission, July 1976, Chapters 2 and 5 for a more complete discussion of these authorization criteria.

5/ The University of San Diego School of Law, the University of San Diego, and San Diego College for Women merged to form the University of San Diego in 1972, Marymount College merged with Loyola in 1973 to form Loyola Marymount University, Russell College merged with the University of San Francisco in 1974, and Biola College absorbed the academic resources and programs of Rosemead Graduate School of Psychology in 1977.

6/ This conclusion is similar to that offered by John Minter and Howard Bowen in their third annual report on private higher education. They state that "more four-year private institutions were operating in 1975-76 than in 1969-70," and "mortality among four-year institutions has been small." Private Higher Education, third annual report on financial and educational trends in the private sector of American higher education, 1977. Association of American Colleges, Washington, May 1977, p. 59.

7/ See California Independent Colleges and Universities: Current Fund Revenue and Expenditures Analysis, prepared for the California Postsecondary Education Commission by John Minter Associates, June 1977, p. III-43.

8/ These numbers refer to those students who identified their ethnicity as either Chicano, Black, Asian-American and/or Native-American.

9/ Comparable data for the Community Colleges for Fall 1976 are not available.

10/ John Minter Associates, Ibid., p. I-1, Table 1.

11/ Ibid., p. 17, Table 17.

12/ The "tuition gap" is defined as the difference between tuition and fee charges at the public institution and tuition charges at the independent institution.

13/ These federal student-assistance programs include Supplemental Education Opportunity Grants (SEOG), College Work Study Program (CWS), and National Direct Student Loan Program (NDSL). These programs account for 12 percent of the $158.4 million received from the federal government in 1975. For more detail, see the following chapter.

14/ State student-assistance programs include State Scholarships, Graduate Fellowships, and College Opportunity Grants.

15/ Inventory of Existing Postsecondary Alternatives, by Marcia B. Salner, prepared for the California Legislature, September 1975, p. 131.

16/ For a comprehensive listing of this diversity in academic programs, see Inventory of Academic and Occupational Programs in California Colleges and Universities, California Postsecondary Education Commission, October 1977.

17/ Four Critical Years: Effects of College on Beliefs, Attitudes, and Knowledge, by Alexander W. Astin, Jossey-Bass Publishers, San Francisco, 1977, p. 244.

18/ Student Attitudes and Academic Environments: A Study of California Higher Education (tentative) by Harvey E. Rich and Pamela M. Jolicoeur, Praeger, 1978. Data utilized in this study were gathered from twelve colleges and universities in California in the fall and winter of 1975-76. A random sample of approximately 300 individuals was taken from each school.

19/ Counties with at least one independent institution and no public four-year institutions are: Monterey, San Mateo, Ventura, Inyo, Mendocino, Marin, San Joaquin, Contra Costa, and Napa.

20/ Postsecondary Education in California: Information Digest, 1977, California Postsecondary Education Commission, p. 138-139.

21/ See Equal Educational Opportunity in California: Postsecondary Education: Part II, California Postsecondary Education Commission, June 1977, pp. 7-20.

22/ The percentage enrollment of Chicano and Black students has increased at the California State University and Colleges during the same period.

23/ A part-time student is defined as one whose academic load, course work, or other required activity is less than 75 percent of the normal fulltime load.

24/ The four major independent doctoral granting universities are Stanford University, University of Southern California, California Institute of Technology, and Claremont Graduate School. In 1975, 1,545 part-time students were enrolled in graduate programs at the University of California.

25/ In Fall 1975, 66 percent of the students in the California Community Colleges attended on a part-time basis. Data are not available to differentiate between lower division and upper division part-time student enrollments in the public four-year institutions.

26/ Student Resource Survey, Number 2, prepared for the California Student Aid Commission by Brookdale Associates, August 1976, p. 35.

27/ Unequal Access to College: Postsecondary Opportunities and Choices of High School Graduates, a staff report, Assembly Permanent Subcommittee on Postsecondary Education, California Legislature, November 1975. This report was based on a sample of 1,592 respondents to a survey by twenty Los Angeles high schools. The survey was conducted in May 1974. The report concluded that "there seems to be surprising equality of opportunity for graduates choosing to enter a private college or university: Private college entrance rates for graduates from high-, middle-, and low-income schools are roughly equal at ten, seven, and eight percent." Ibid, p. 17.

28/ The total of $355 million is calculated by multiplying the number of students attending independent institutions in Fall 1976 (176,413) by the average total cost per student at the State University in 1976-77 [$611.1 million ÷ 303.734 students (headcount)]. In 1969, in a speech to Pepperdine College's graduating class, Glenn S. Dumke, Chancellor of the California State University and Colleges, stated that independent colleges and universities in California save the State more than $250 million in annual operating costs and $1 billion in facilitations costs. (The $1 billion in facilities costs are not annual costs.)

29/ Education Code, Title 3, Division 5, Section 69500.

30/ Assembly Bill 528 (1977, Knox) proposed an increase in the maximum State Scholarship award for tuition and student fees from $2,700 to $3,200. This bill was passed by the Legislature, but vetoed by the Governor.

31/ During each of the past seven years, the average State Scholarship for a student attending an independent institution has been less than the average State support per FTE student at the California State University and Colleges.

32/ In 1976, the average tuition and fees charged by the nineteen independent institutions enrolling the largest number of State Scholarship winners was $3,411, while the average tuition and fees at the nine campuses of the University of California was $648.

33/ John Minter Associates, Ibid., p. III-49, Table 100.

34/ In 1977-78, 31 percent of the State Scholarship recipients had parental net incomes of $18,000 and above, compared with 6.8 percent in 1973-74.

35/ In 1977-78, 20 percent of the State Scholarship recipients had parental net incomes below $9,000, compared with 35.5 percent in 1973-74.

36/ In 1974-75, approximately 1,450 new State Scholarship recipients had parental net incomes of $18,000 and above, while approximately 2,850 new recipients had parental net incomes below $9,000. In 1975-76, following the reduction in the amount of the expected family contribution, approximately 3,820 new Scholarship recipients had parental net incomes of $18,000 and above, while approximately 1,550 new recipients had parental net incomes below $9,000. The total number of new awards remained basically constant during this two-year period.

37/ See John B. Lee, et al., Student Aid: Descriptions and Options, Stanford Research Institute, Menlo Park, California, October 1975, for a discussion of this similar trend nationwide.

38/ State Scholarship recipients in 1977-78 include students with high school GPAs between 2.0 and 2.5. These students would not be characterized as high ability students.

39/ See "State Graduate Fellowship Application, Academic Year 1978-1979," California Student Aid Commission, Sacramento, California.

40/ The Graduate Fellowship Advisory Committee was created to develop "a comprehensive plan of selection of graduate fellowship winners which shall give consideration to unusual ability and achievement and shall recognize special problems of selecting students with unusual ability and achievement with substantial potential for success in graduate school who may come from a disadvantaged background." Education Code, Title 3, Division 5, Part 42, Chapter 10.

41/ Approximately 42 percent of the Graduate Fellowship recipients have attended the University of California, 8 percent have attended the California State University and Colleges, and 50 percent have attended independent institutions.

42/ Disadvantaged students were defined as students with potential for success who, "because of financial, home, and community environmental conditions . . . are unable to pursue a higher education and attain their full educational potential." See Education Code, Title 3, Division 5, Part 42, Section 69580.

43/ Education Code, Title 3, Division 5, Part 42, Section 69580. The statement that the Community Colleges are the "least expensive level of California higher education" refers to the level of tuition charges for students, rather than to the level of costs for the taxpayer.

44/ Education Code, Division 5, Part 42, Section 69585.

45/ No student was eligible for financial aid under the Tuition Grant Program if the student's annual financial resources exceeded by more than $1,500 the resources of a student eligible for a minimum State Scholarship award.

46/ Education Code, Division 5, Part 42, Section 69700.

47/ John Minter Associates, Ibid., page III-49, Table 100.

48/ John Lee, Ibid., October 1975, p. 123.

49/ AB 647 (Chapter 1201, Statutes of 1977).

50/ Chapter 1519, Statutes of 1971.

51/ Education Code, Division 5, Part 42, Sections 69790-69793.

52/ Report of the Legislative Analyst to the Joint Legislative Budget Committee, February 1976, pp. 934-935. It should be noted that Loma Linda University did not receive State funds under the provisions of this program.

53/ Education Code, Title 3, Part 24, Section 69270.

54/ The Legislative Analyst's report describes the Charles R. Drew Postgraduate Medical School as "a private non-profit corporation" and the California College of Podiatric Medicine as "a private, non-profit, fully accredited school." Report of the Legislative Analyst to the Joint Legislative Budget Committee, 1976-77, p. 809, and 1977-78, p. 824. Funding for the former school was authorized under Chapter 1140, Statutes of 1973 (SB 1026-Dymally), while funding for the latter school was authorized under Chapter 1497, Statutes of 1974 (AB 3407-W. Brown).

55/ Education Code, Title 3, Part 42, Sections 69790-69793, as establisted by Chapter 1519, Statutes of 1971.

56/ Chapter 1140, Statutes of 1973 (SB 1026-Dymally).

57/ Chapter 1497, Statutes of 1974 (AB 3407-W. Brown).

58/ Education Code, Title 3, Part 24, Section 69270.

59/ Education Code, Title 3, Part 42, Section 69790.

60/ Education Code, Section 94100, Chapter 2, Article 1.

61/ California Constitution, Article XIII, Section 3(e) and Section 5.

62/ Fred A. Nelson, Independent Higher Education in California, prepared for the Joint Committee on the Master Plan for Higher Education, California Legislature, Sacramento, January 1973, p. 41.

63/ These data are for total (head count) enrollment.

64/ W. John Minter and Howard R. Bowen, Private Higher Education: Third Annual Report on Financial and Educational Trends in the Private Sector of American Higher Education, Association of American Colleges, Washington, D.C., May 1977, Chapter II.

65/ The post-baccalaureate enrollment includes full- and part-time students enrolled in graduate or first professional degree programs. It does not include unclassified students who are not candidates for a degree or other formal award.

66/ The Liberal Arts Colleges II have maintained approximately the same percentage ratio of undergraduate/post-baccalaureate students during the past six years.

67/ See Table 30. It should be noted that this trend has occurred in the public as well as the independent segments. An important reason for the decline in the number of applications received by colleges is the decline in multiple applications made by students.

68/ The generalizations in this paragraph concern full-time faculty, rather than FTE faculty. Available data are not adequate for generalizations concerning FTE faculty.

69/ See Table 35 and Charts 1 and 2.

70/ Similar data are not available for the public four-year institutions, and therefore no comparison can be made among the segments.

71/ Tenured faculty at the California State University and Colleges apparently has increased, from 69 percent in 1974 to 74 percent in 1976. At the University of California, the percent of tenured faculty apparently has been reduced slightly, from 71 percent in 1974 to 70 percent in 1975. California Postsecondary Education Commission, Postsecondary Education in California: Information Digest, 1977, Sacramento (1977), p. 72-73.

72/ The reliability of data for FTE faculty and students varies from institution to institution. However, for those institutions for which a reliable ratio of FTE students to FTE faculty can be computed, the majority demonstrate an increase in the student-faculty ratio during the past six years.

73/ Minter has defined the current fund as "the accounting vehicle for financing the regular ongoing operations of institutions. Revenues to the current fund are the monies available to pay for current institutional operations, and expenditures from the current funds are those used to support ongoing instruction, administration, student aid, auxiliary enterprises, etc. Excluded from the current fund are those monies devoted to capital purposes (for example new buildings and major equipment), endowment, and reserves." W. John Minter and Howard R. Bowan, Private Higher Education, 1977, p. 33.

74/ This report was prepared for the California Postsecondary Education Commission, Sacramento, California, June 1977.

75/ John Minter Associates, California Independent Colleges and Universities: Current Fund Revenue and Expenditures Analysis, p. 28.

76/ Total current revenues include educational and general revenues, as well as revenues from auxiliary enterprises such as residence halls, food services, college stores, and such services as barber shops, beauty parlors, and movie theaters.

77/ The Bible Colleges and the Law Schools had an average rate of growth of 30.6 percent for educational and general revenues and 15.6 percent for total current revenues. The Liberal Arts Colleges I had a 6.7 percent and 6.8 percent growth rate, respectively, while the Liberal Arts Colleges III had 4.7 percent and 5.8 percent, respectively.

78/ There were ninety-four institutions included in the study conducted by Bowen and Minter for the Association of American Colleges.

79/ W. John Minter and Howard R. Bowen, Private Higher Education: Third Annual Report on Financial and Educational Trends in the Private Sector of American Higher Education, 1977, Association of American Colleges, May 1977, p. 40.

80/ The Bible Colleges and Law Schools had an average rate of growth of 32.6 percent for educational and general expenditures and 31.5 percent for total expenditures and mandatory transfers. The Liberal Arts Colleges III had 6.6 percent and 6.9 percent, respectively.

81/ There were ninety-four institutions included in the study conducted by Bowen and Minter for the Association of American Colleges.

82/ Each of these indicators is defined in Chart 3.

83/ See Bowen and Minter, Private Higher Education: Second Annual Report on Financial and Educational Trends in the Private Sector of American Higher Education, 1976, Chapter 4.

84/ While 60 institutions were included in this segment of the study, these institutions enroll approximately 80 percent of the students attending independent colleges and universities in California. The generalizations in this chapter therefore apply to the major independent institutions in the State.

85/ This statement is not intended as a prediction that these two institutions will close in the next few years. The "will to live" or "survival instinct" among colleges and universities is very strong. Moreover, the institutions may be taking the necessary corrective measures to resolve the problems.

86/ Changes in Enrollment By 1985, by Cathy Henderson, Policy Analysis Service Reports, Vol. 3, No. 1, June 1977, American Council on Education, Washington, D.C., p. 13.

87/ Source: State Department of Finance, Population Research Unit, as reported in Some of the Problems of Enrollment Planning, a staff study prepared by the Division of Institutional Research, The California State University and Colleges, December 1976, p. 20.

88/ "Trade-offs between changes in the projected number of 18-year-olds and migration patterns are not projected to significantly affect freshmen enrollment levels in 32 states", including California. Ibid, p. 16.

89/ Ibid., p. 17.

90/ Data are not available for the 18-24 year-old age group.

91/ Population projections for the 20-24 year-old age group made by the National Planning Association differ slightly from those made by the State Department of Finance. The National Planning Association projects the following:

1975	100 (base year)
1980	108
1981	112
1990	106

Source: National Planning Association, 106 Regional Economic Projection series, 1977.

92/

Regional Population Trends in 20-24 Age Group

	Anaheim	Fresno	Los Angeles	Modesto	Oxnard	Riverside	Sacramento	San Diego
1975	100	100	100	100	100	100	100	100
1980	115	107	106	117	128	111	110	110
1985	135	107	106	127	144	118	115	116
1990	157	88	98	115	138	122	105	113

	San Francisco	San Jose	Santa Barbara	Santa Cruz	Santa Rosa
1975	100	100	100	100	100
1980	106	113	105	116	126
1985	109	126	105	133	148
1990	99	140	98	136	148

93/ The population projection for the 20-24 year-old age group in California, excluding the City of Los Angeles is:

1975	100
1980	109
1985	115
1990	110

Source: National Planning Association, Regional Economic Projection Series, 1977, Section 302, pp. 676 and 684.

94/ Source: California Population Research Unit, Department of Finance. Please note these projections are for nonbudgetary purposes only and have not been submitted to segmental officials for approval.

95/ See figure 1.

96/ Cathy Henderson, Changes in Enrollment By 1985, op. cit., p. 18-19.

97/ Carol Van Alstyne, The Costs of Implementing Federally Mandated Social Programs at Colleges and Universities, American Council on Education, Washington, D.C., 1976, p. V.

98/ A college administrator (at a public Community College) estimated a total cost of $142.57 to complete a ten-page questionnaire concerning "Salaries, Tenure and Fringe Benefits of Full-Time Instructional Faculty" in October 1977. He also stated that "the 1976-77, 1977-78 salary comparison page (if done absolutely accurately) demands time and effort beyond reason. I question whether your aggregate data will be accurate and I am absolutely certain that the value to our institution is zero."

99/ See California Civil Code, sections 2228-2239, which cover regulations governing trustee responsibilities.

100/ This issue is considered in detail in Chapters 2 and 3. It is mentioned in this chapter because of its importance as a public policy affecting independent institutions.

101/ Office of the Legislative Analyst, Analysis of the Budget Bill of the State of California for the Fiscal Year July 1, 1976, to June 30, 1977, Report to the Joint Legislative Budget Committee, p. 800.

102/ Office of the Legislative Analyst, Analysis of the Budget Bill of the State of California for the Fiscal Year July 1, 1978, to June 30, 1979; Report of the Legislative Analyst to the Joint Legislative Budget Committee, p. 854.

103/ Commission on External Degree Programs, External Degree Programs, report to the Chancellor, California State University and Colleges, June 1976, p. 64.

104/ Office of the Legislative Analyst, Analysis of the Budget Bill, Fiscal Year July 1, 1978, to June 30, 1979, Joint Legislative Budget Committee, p. 854.

105/ Ibid., p. 856.

106/ Commission on External Degree Programs, External Degree Programs, p. 7.

107/ Legislative Analyst, op. cit., p. 855.

108/ California Postsecondary Education Commission, Inventory of Off-Campus Locations and Programs, Sacramento, September 1976, p. 12.

109/ The independent colleges offering off-campus, degree-granting programs are: Chapman College, University of Southern California, Golden Gate University, Pepperdine University, College of Notre Dame, La Verne College, California Luthern College, Azusa Pacific College, Mount St. Mary's College, Lone Mountain College, University of Redlands, Immaculate Heart College, Loyola Marymount University, University Without Walls Consortium, Simpson College, and Jesuit School of Theology.

110/ Report of the Legislative Analyst, Analysis of the Budget Bill, July 1, 1976, to June 30, 1977, Joint Legislative Budget Committee, p. 800.

111/ For an extensive list of unresolved questions concerning the use of State funds for off-campus programs, see Analysis of the Budget Bill . . . July 1, 1978, to June 30, 1979, Report of the Legislative Analyst to the Joint Legislative Budget Committee, p. 856-857.

112/ This classification is presented in the States and Private Higher Education, a report of the Carnegie Council on Policy Studies in Higher Education, Jossey-Bass Publishers, San Francisco, 1977, Chapter 3. See also the National Commission on the Financing of Postsecondary Education, A Framework for Analyzing Postsecondary Education Financing Policies, May 1974, U.S. Government Printing Office, Washington, D.C., pp. 22-23.

113/ The National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States, December 1973, U.S. Government Printing Office, Washington, D.C., p. 92.

114/ In order to obtain the necessary funding, the state's educational facilities authority is

> authorized to issue revenue bonds. The fact that these bonds are tax-exempt and that few states have difficulty in selling their bonds means that they can provide ample funds to the private institutions at interest rates well below those the private colleges and universities would have to pay on their own. This is, in effect, a system of subsidized borrowing that increases state costs only to the extent that the sale of such bonds may tend to reduce the market for other state bonds and therefore raise the interest rates charged by the financial institutions that handle them.

Ibid., p. 93.

115/ Meeting of the Constitutional Revision Commission, San Francisco, July 24, 1969, as quoted in Independent Higher Education in California, by Fred A. Nelson, Prepared for the Joint Committee on the Master Plan for Higher Education, January 1973, p. 129.

116/ "The AICCU obviously felt strongly about ACA 47 and a constitutional revision at that time. The Association had approved a budget of no less than $259,850 for a public campaign had ACA 47 gotten on the ballot in 1970." Ibid., p. 130.

117/ See The Costs of Instruction in California Public Higher Education, a report prepared by the Coordinating Council for Higher Education, February 1974, and Analysis of the Budget Bill . . . for Fiscal Year July 1, 1975 to June 30, 1976; Report of the Legislative Analyst to the Joint Legislative Budget Committee, pp. 672-674.

118/ The most appropriate area for expanded contracting is in vocational training by the 1500 private vocational/technical schools in California.

119/ The States and Private Higher Education: Problems and Policies in a New Era, a report of the Carnegie Council on Policy Studies in Higher Education, Jossey-Bass Publishers, 1977, p. 47.

120/ Chapter 462, Statutes of 1975.

121/ The Student Aid Commission has recommended the following policy guidelines to the Legislature, which are consistent with the conclusions and recommendations of this report:

> It is the intent of the Legislature to eliminate financial need as a barrier to postsecondary education. Each resident of California should have reasonable access to some form of postsecondary education. Each should have a reasonable choice among postsecondary institutions and programs. Once enrolled, each should have the opportunity to continue as long and as far as his capacity and motivation lead. To achieve this intent the Legislature will insofar as possible provide student aid in kind and amount sufficient to meet the demonstrated need of all qualified students who seek it. The student aid programs provided by the Legislature will be developed with care to assure that the individual career choice of the recipient will not be prejudiced by the type or amount of student aid provided. The State, as a part of its constitutional responsibility to provide for the education of its citizens, has a responsibility to assure that all such student aid is coordinated in such a manner as to assure its efficient delivery and equitable distribution to the student beneficiaries. (p. 12)

Master Plan for the Administration and Coordination of Publicly Funded Student Aid in California: Phase I, California State Scholarship and Loan Commission, Sacramento, California, June 30, 1975, p. 4.

122/ Chapter 1187, Statutes of 1973.

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APPENDICES

APPENDIX A

Assembly Bill No. 622 (Chapter 462, Statutes of 1975)

Assembly Bill No. 622

CHAPTER 462

An act to amend Section 22712 of, and to add Section 22504.2 to, the Education Code, relating to postsecondary education, and making an appropriation therefor.

[Approved by Governor August 29, 1975. Filed with Secretary of State August 29, 1975.]

I am reducing the appropriation contained in Section 5 of Assembly Bill No. 622 from $20,000 to $10,000.

In view of the Commission's resources, I think the study required by this bill can be done for less.

With this reduction, I approve Assembly Bill No. 622.

EDMUND G. BROWN JR., Governor

LEGISLATIVE COUNSEL'S DIGEST

AB 622, Vasconcellos. Postsecondary education: study.

Under current law the California Postsecondary Education Commission is the statewide postsecondary education planning and coordinating agency and adviser to the Legislature and Governor. The commission is required to submit annual reports to the Legislature and Governor.

This bill would require the annual reports to be submitted on or before January 1st of each year.

This bill would require the commission to conduct a study of independent colleges and universities and to report its findings and recommendations to the Governor and the Legislature on or before January 1, 1976.

This bill would also appropriate $20,000 from the General Fund to the commission for the purposes of making the study.

This bill would express the intent of the Legislature to offer students a choice in the matter of attendance at a public or independent college or university.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 22504.2 is added to the Education Code, to read:

22504.2. The Legislature hereby finds and declares that there is a great need of providing students with a true economic and academic freedom of choice in selecting a college or university they wish to attend. The Legislature further finds that this need shall be met by offering students financial assistance who wish to attend public or independent colleges and universities and who have demonstrated financial need.

SEC. 2. Section 22712 of the Education Code is amended to read:

22712. The commission shall have the following functions and responsibilities in its capacity as the statewide postsecondary education planning and coordinating agency and adviser to the Legislature and Governor:

(1) It shall require the governing boards of the segments of public postsecondary education to develop and submit to the commission institutional and systemwide long-range plans in a form determined by the commission after consultation with the segments.

(2) It shall prepare a five-year state plan for postsecondary education which shall integrate the planning efforts of the public segments and other pertinent plans. The commission shall seek to resolve conflicts or inconsistencies among segmental plans in consultation with the segments. If such consultations are unsuccessful the commission shall report the unresolved issues to the Legislature with recommendations for resolution.

In developing such plan, the commission shall consider at least the following factors: (a) the need for and location of new facilities, (b) the range and kinds of programs appropriate to each institution or system, (c) the budgetary priorities of the institutions and systems of postsecondary education, (d) the impact of various types and levels of student charges on students and on postsecondary educational programs and institutions, (e) appropriate levels of state-funded student financial aid, (f) access and admissions of students to postsecondary education, (g) the educational programs and resources of private postsecondary institutions, and (h) the provisions of this division differentiating the functions of the public systems of higher education.

(3) It shall update the state plan annually.

(4) It shall participate in appropriate stages of the executive and legislative budget processes as requested by the executive and legislative branches and shall advise the executive and legislative branches as to whether segmental programmatic budgetary requests are compatible with the state plan. It is not intended that the commission hold independent budget hearings.

(5) It shall advise the Legislature and Governor regarding the need for and location of new institutions and campuses of public higher education.

(6) It shall review proposals by the public segments for new programs and make recommendations regarding such proposals to the Legislature and the Governor.

(7) It shall, in consultation with the public segments, establish a schedule for segmental review of selected educational programs, evaluate the program review processes of the segments, and report its findings and recommendations to the Governor and the Legislature.

(8) It shall serve as a stimulus to the segments and institutions of postsecondary education by projecting and identifying societal and

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educational needs and encouraging adaptability to change.

(9) It shall develop and submit plans to the Legislature and the Governor for the funding and administration of a program to encourage innovative educational programs by institutions of postsecondary education.

(10) It shall collect or conduct or both collect and conduct studies of projected manpower supply and demand, in cooperation with appropriate state agencies, and disseminate the results of such studies to institutions of postsecondary education and to the public in order to improve the information base upon which student choices are made.

(11) It shall periodically review and make recommendations concerning the need for and availability of postsecondary programs for adult and continuing education.

(12) It shall develop criteria for evaluating the effectiveness of all aspects of postsecondary education.

(13) It shall maintain and update annually an inventory of all off-campus programs and facilities for education, research and community service operated by public and private institutions of postsecondary education.

(14) It shall act as a clearinghouse for postsecondary education information and as a primary source of information for the Legislature, the Governor, and other agencies, and develop a comprehensive data base insuring comparability of data from diverse sources.

(15) It shall establish criteria for state support of new and existing programs, in consultation with the public segments, the Department of Finance, and the Joint Legislative Budget Committee.

(16) It shall comply with the appropriate provisions of the Education Amendments of 1972 (P.L. 92-318) as specified in Section 22750.

(17) It shall consider the relationships between academic and occupational and vocational education programs and shall actively encourage the participation of state and local and public and private persons and agencies with a direct interest in these areas.

(18) It shall review all proposals for changes in eligibility pools for admission to public institutions and segments of postsecondary education and shall make recommendations to the Legislature, Governor, and institutions of postsecondary education.

(19) It shall report annually on or before January 1st to the Legislature and the Governor regarding the financial conditions of independent institutions, their enrollment and application figures, the number of student spaces available, and the respective cost of utilizing those spaces as compared to providing additional public spaces. Such reports shall include recommendations concerning state policies and programs having a significant impact on independent institutions.

(20) It shall, upon request of the Legislature or the Governor,

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submit to the Legislature and the Governor a report on all matters so requested which are compatible with its role as the statewide postsecondary education planning and coordinating agency and may, from time to time, submit to the Governor and the Legislature a report which contains recommendations as to necessary or desirable changes, if any, in the functions, policies, and programs of the several segments of public and private postsecondary education.

(21) It may undertake such other functions and responsibilities as are compatible with its role as the statewide postsecondary education planning and coordinating agency.

SEC. 3. No comprehensive studies exist with respect to the amount, effectiveness, and impact of state aid that is made available to independent colleges and universities. In addition, accurate and verifiable data that indicate current and long-range trends regarding the financial condition of independent colleges and universities, and the advisability of diverting students to such institutions, is generally scarce. It is therefore, the intent of the Legislature that a comprehensive study of independent colleges and universities be made.

SEC. 4. The California Postsecondary Education Commission shall conduct a study of independent colleges and universities and make a preliminary report of its findings and recommendations to the Governor and the Legislature on or before February 1, 1976, and a final report on or before June 1, 1976. The study shall, at a minimum:

(a) Determine the amount of past and projected annual levels of state aid to independent colleges and universities;

(b) Determine the goals, objectives, and priorities of state aid to independent colleges and universities;

(c) Recommend policies which might guide the delivery of state assistance;

(d) Develop criteria for determining the appropriate level of assistance;

(e) Develop criteria for assessing the financial condition of independent colleges and universities;

(f) Develop a data base related to independent colleges and universities including: (1) a determination of the data elements that should be collected annually that relate to criteria required for measuring the financial condition specified in subdivisions (a) through (e), and (2) the designing of a cooperative process for collecting necessary data, including the possible auditing or verification of data, or both, that is obtained from independent colleges and universities;

(g) Recommend possible modifications in existing programs that currently provide aid to independent institutions; and

(h) Assess the contributions made to postsecondary education and to California by independent colleges and universities in California;

(i) Assess the degree to which state aid will in the future result in

a net savings to the state by diverting students to independent colleges and universities.

SEC. 5. There is hereby appropriated from the General Fund to the California Postsecondary Education Commission the sum of twenty thousand dollars ($20,000) for the purpose of conducting the study described in Section 4 of this act.

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APPENDIX B

Questionnaire for the Study of the Financial Condition of Independent Postsecondary Institutions in California

SURVEY FOR THE STUDY OF THE
FINANCIAL CONDITION OF INDEPENDENT
POSTSECONDARY INSTITUTIONS
IN CALIFORNIA

SECTION I: STUDENTS

This section of the survey requests data regarding student enrollment, admissions, and degrees conferred.

Questions concerning this survey should be directed to Dr. Bruce Hamlett at CPEC, phone (916) 445-7933.

PLEASE RETURN TO:

California Postsecondary Education Commission
1020 12th Street
Sacramento, California 95814

DUE DATE: _____

Name of institution:

Address:

Name of respondent:

Title of respondent:

Telephone (area code, local number, extension):

List the names and addresses of branch campuses or other organizational units included in the data provided in this survey. (A branch campus is a campus organized on a relatively permanent basis, which offers an organized program or programs of work of at least two years (as opposed to courses), and which is located in a community different from that in which the parent institution is located).

Information provided in this survey will be used by the California Postsecondary Education Commission (CPEC) in a study of the financial condition of independent institutions in California. The study, required by the Legislature, will make recommendations for state policy regarding the type and extent of state aid to independent colleges and universities.

PLEASE READ ALL INSTRUCTIONS AND DEFINITIONS CAREFULLY BEFORE COMPLETING THIS SURVEY

INSTRUCTIONS

PROOFREAD AND VERIFY ALL FIGURES
ON THE COMPLETED SURVEY BEFORE
RETURNING IT TO THE CALIFORNIA
POSTSECONDARY EDUCATION COMMISSION

1. This survey asks for data covering a six year period, 1970-71 through 1975-76. We realize that some of the information requested may not be available for the entire time period. Complete as much of this survey as is possible for your institution.

2. Much of the information requested has been collected in the Higher Education General Information Survey (HEGIS) sponsored by the National Center for Education Statistics of the Department of Health, Education, and Welfare. We have completed as much of this survey for your institution as possible from the information in our data base. Please verify all data that has been entered from our data base. If any of these data are incorrect, cross out the incorrect data and enter the accurate figures. Complete the rest of the survey.

3. Some of the questions are the same as those requested in the HEGIS surveys (Questions 1 and 8 in this section). If you have copies of your HEGIS reports for pervious years, simply copy your responses onto this survey where appropriate.

4. Please note that some information is requested for the fall of each year and other information is requested for the academic year.

5. If complete information is not available for some questions, you may include an accurate estimate. Where estimates are used, be sure to specify that the figures provided are estimates. Provide estimates only if you are confident of their accuracy. If you cannot make an accurate estimate, please enter NA for "not available."

6. Include information for extension centers. Include only those branch campuses that have been indicated as included on page 2.

7. If the response to any data requested is zero or none, please indicate this with a "0" or a line through the box. Use NA for "not available" and DNA for "does not apply to this institution."

8. Where subtotals or totals only have been filled in by the CPEC from its data base, please provide all the requested breakdowns.

Question 1: Include in this question:

a. College level students taking work creditable toward an associate, bachelor's or higher degree, or some other formal recognition below the baccalaureate.

b. Students who are not candidates for a degree or other formal recognition, but are taking courses in regular classes with other students.

c. Students taking extension courses for degree credit.

d. Report only those students enrolled during the fall term, regardless of the calendar system used. If your institution enrolls students continuously, report enrollments for a typical week or other relevant time period (please specify time period used).

Do not include in this question:

a. Students in noncredit adult education courses.

b. Students taking courses at home by mail, radio, or television.

c. Students enrolled only for "short courses."

d. Auditors.

e. Students studying abroad if their enrollment at the reporting institution is only an administrative record and the fee is only nominal.

f. Students at any branch campus or extension center in a foreign country

g. High school students taking college courses.

h. Students known to be currently enrolled at another college or university, if the latter will report their enrollment (to avoid double counting). Normally, the institution that will eventually grant the degree should report the student's enrollment.

Question 2: Report the headcount enrollment for those students enrolled in noncredit instructional programs at the campus, branch campuses, and extension centers. Students enrolled concurrently in courses for credit and also in noncredit courses should not be reported here; these students should be reported in question 1.

Question 3: Complete either Part A or Part B. If Part A is completed, please provide the formula or method used.

Question 4: Report the number of completed applications received for the fall terms only. A completed application includes the completed application forms plus transcripts, entrance examination test grades, application fees, and/or any other required material. Do not include applications of continuing students, if these are required.

Question 5: Report the number selected from the completed applications received who were offered admission.

Question 6: Report the number of new students who were offered admission and actually enrolled.

Question 7: Specify the title of the test if scores are provided for other than the SAT or ACT tests. The test scores should be the average of the test scores of the students reported in question 6.

Question 9: Report only those staff members who are regular employees of this institution. Do not report those who have been hired on a short-term basis for the specific purpose of aiding in the recruitment and admissions processes. Please report this latter group in your responses to questions 10 and 11. Full-time and part-time refer to the total time employed for all purposes, not to the time allocated to recruitment and admissions only. Report staff employed in all aspects of recruitment and admissions, not just those who have contact with prospective students. Do not include the top administrators, such as the president, vice-president, or others whose responsibilities include recruitment but cannot be classified as staff employed in recruitment and admissions.

DEFINITIONS

Lower Division: In 4-year institutions, includes freshmen and sophomores in bachelor's degree programs. In 2-year institutions, includes students in associate degree programs. Also includes, in all levels of institutions, students in terminal-occupational programs of 1, 2, or 3 years that result in formal recognition below the baccalaureate.

Upper Division: Students who have completed the sophomore year and typically are enrolled in a 4- or 5-year bachelor's degree program.

First-Professional: Students enrolled in a professional school or program which required at least 2 academic years of college work for entrance and a total of at least 6 years for a degree. Students in programs requiring only 4 or 5 years beyond high school should be reported as undergraduates.

Graduate: Students who hold the bachelor's, master's, or first-professional degree, or equivalent, and are taking work at the graduate level which is creditable toward a master's or doctoral degree.

Unclassified: Students who are not candidates for a degree or other formal award, although taking courses in regular classes with other students. This category includes students who cannot be classified by academic level as well as students who already have degrees but who are taking additional courses at the same degree level or lower. Do not include students who are in one of the categories listed as "Do Not Include in This Question."

Full-Time: Those whose academic load—coursework or other required activity—is at least 75% of the normal full-time load.

Part-Time: Those whose academic load—coursework or other required activity—is less than 75% of the normal full-time load.

Associate/Certificate: Includes degrees or certificates awarded for work completed in at least 2 but less than 4 years beyond high school.

Bachelor's: Requiring at least 4 but not more than 5 years of academic work. Also, report all bachelor's degrees conferred in a cooperative or work study plan or program.

Master's: The master's degree in liberal arts and sciences is the degree customarily granted upon successful completion of 1 (sometimes 2) academic years of work beyond the bachelor's degree. (Report Master of Divinity degrees as a first-professional degree.)

First-Professional: (1) Signifies completion of the academic requirements to begin practice in the profession; (2) based on a program that requires at least 2 years of college work prior to entrance; and (3) a total of at least 6 academic years of college work is required to complete the degree program, including prior required college work plus the length of the professional curriculum itself.

Doctoral: Includes such degrees as Doctor of Education, Doctor of Juridical Science, Doctor of Public Health, and the Ph.D. degree in any field.

1. Opening Fall Enrollment (headcount)

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
Lower Division							
full-time	1						
part-time	2						
Lower Division Total (lines 1+2)	3						
Upper Division							
full-time	4						
part-time	5						
Upper Division Total (lines 4+5)	6						
UNDERGRADUATE TOTAL (lines 3+6)	7						
First-Professional							
full-time	8						
part-time	9						
First-Professional Total (lines 8+9)	10						
Graduate							
full-time	11						
part-time	12						
Graduate Total (lines 11+12)	13						
POST-BACCALAUREATE TOTAL (lines 10+13)	14						
Unclassified							
full-time	15						
part-time	16						
Unclassified Total (lines 15+16)	17						
GRAND TOTAL (lines 7+14+17)	18						

2. Number of students enrolled in noncredit instructional programs and courses. (headcount)

Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
19						

3. Full Time Equivalent (FTE) Enrollment

Complete either Part A or Part B.

A. FTE enrollment of part time undergraduate students = _____.
Please report the method used to compute FTE for undergraduate students:

FTE enrollment of part time graduate students = _____.
Please report the method used to compute FTE for graduate students:

FTE enrollment of part time first-professional students = _____.
Please report the method used to compute FTE for first-professional students:

B. Complete the following statements so that they are accurate estimates for your institution for the purpose of approximating full time equivalent enrollment (FTE).

"_____ part time undergraduate students = 1 FTE"

"_____ part time graduate students = 1 FTE"

"_____ part time first-professional students = 1 FTE"

4. Number of completed applications received for the fall term.

5. Number of new students offered admission for the fall term.

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
freshman	20						
transfer	21						
freshman	22						
transfer	23						

6. Number of new students actually enrolled for the fall term.

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
freshman	24						
transfer	25						

7. Average (mean) college entrance test score of freshman students enrolled.
Check appropriate box:

☐ SAT ☐ ACT

☐ Other _____

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
If SAT scores are used:							
verbal	26						
math	27						
	28						

8. Degrees Conferred (July 1 - June 30)

	Line No.	70-71	71-72	72-73	73-74	74-75
Associate/Certificate	29					
Bachelor's	30					
Master's	31					
First-Professional	32					
Doctoral	33					
TOTAL (lines 29+30+31 +32+33)	34					

9. Number of staff employed in recruitment and admissions. (Include only those who are regular employees of this institution.)

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
full-time	35						
part-time	36						
TOTAL (lines 35+36)	37						

10. Briefly describe the organization of your recruitment staff, volunteers, and procedures. (For example, the type and extent of recruitment by alumni, students, and faculty; how inquiries are handled; visits to high schools; etc.) Attach additional pages if more space is needed.

11. Please describe and comment on any changes that have occurred in recruitment and admission procedures in the last five years. (For example, changes in admissions and recruitment staff; employment of consultants, students, and recent graduates; treatment of inquiries from prospective students; visits to high schools; etc.) Attach additional pages if more space is needed.

12. Please describe and comment on any changes that have occurred in admission standards in the last five years. Attach additional pages if more space is needed.

SURVEY FOR THE STUDY OF THE
FINANCIAL CONDITION OF INDEPENDENT
POSTSECONDARY INSTITUTIONS
IN CALIFORNIA

SECTION II: FACULTY, ADMINISTRATORS, AND STAFF

This section of the survey requests data regarding faculty, administrators, and other staff.

Questions concerning this survey should be directed to Dr. Bruce Hamlett at CPEC, phone (916) 445-7933.

PLEASE RETURN TO:

California Postsecondary Education Commission
1020 12th Street
Sacramento, California 95814

DUE DATE _____

Name of institution:

Address:

Name of respondent:

Title of respondent:

Telephone (area code, local number, extension):

List the names and addresses of branch campuses or other organizational units included in the data provided in this survey. (A branch campus is a campus organized on a relatively permanent basis, which offers an organized program or programs of work of at least two years (as opposed to courses), and which is located in a community different from that in which the parent institution is located).

Information provided in this survey will be used by the California Postsecondary Education Commission (CPEC) in a study of the financial condition of independent institutions in California. The study, required by the Legislature, will make recommendations for state policy regarding the type and extent of state aid to independent colleges and universities.

PLEASE READ ALL INSTRUCTIONS AND DEFINITIONS CAREFULLY BEFORE COMPLETING THIS SURVEY

INSTRUCTIONS

PROOFREAD AND VERIFY ALL FIGURES ON THE COMPLETED SURVEY BEFORE RETURNING IT TO THE CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

1. This survey asks for data covering a six year period, 1970-71 through 1975-76. We realize that some of the information requested may not be available for the entire time period. Complete as much of this survey as is possible for your institution.

2. Much of the information requested has been collected in the Higher Education General Information Survey (HEGIS) sponsored by the National Center for Education Statistics of the Department of Health, Education, and Welfare. We have completed as much of this survey for your institution as possible from the information in our data base. Please verify all data that has been entered from our data base. If any of this data is incorrect, cross out the incorrect data and enter the accurate figures. Complete the rest of the survey.

3. Some of the questions are the same as those requested in the HEGIS surveys (Questions 1, 7, 8, 11 in this section.) If you have copies of your HEGIS reports for previous years, simply copy your responses onto this survey where appropriate.

4. Please note that some information is requested for the fall of each year and other information is requested for the academic year.

5. If complete information is not available for some questions, you may include an accurate estimate. Where estimates are used, be sure to specify that the figures provided are estimates. Provide estimates only if you are confident of their accuracy. If you cannot make an accurate estimate, please enter NA for "not available."

6. Include information for extension centers. Include only those branch campuses that have been indicated as included on page 12.

7. If the response to any data requested is zero or none, please indicate this with a "0" or a line through the box. Use NA for "not available" and DNA for "does not apply to this institution."

8. <u>Do not</u> report instructional faculty who contribute their services or teach clinical or preclinical medicine in your responses to questions 1 through 18. Report these faculty members in question 19 only.

Questions 1,2,4,5,6: Report full time and part time faculty, administrators, clerical, and other nonacademic staff employed during the <u>fall term</u>. See definitions.

Question 7: report salaries as mean salaries per year. Do not include fringe benefit compensation.

Question 8: Report fringe benefit expenditures as the total expenditures for all individuals within the group—not on an average per person basis. See definition of fringe benefits.

Question 9: Do Not include full time faculty who are on temporary leave due to illness, sabbatical, or for any other reason. Only faculty who have left and will not return should be reported.

Question 11: Please indicate if your institution does not grant tenure.

Question 12: See definition for full time instructional faculty
Those reported in this question should, by definition, be included in the response to question 1 also. Include faculty only if they receive their pay from this institution. Include faculty who are on leave for at least one semester, quarter, trimester, etc.

DEFINITIONS

Full Time Instructional Faculty: Those staff members who devote one half or more of their time to the teaching of classroom or laboratory courses. Report only those instructional faculty members who are employed full time (as defined by the institution) and for at least two semesters, three quarters, or two trimesters. Report all full time instructional faculty even if they are not employed on contracts of 9 or 11 months (as requested on HEGIS). Instructional faculty on sabbatical should be reported according to their regular salaries even though they may be receiving a reduced annuity while on leave. Do not report faculty who contribute their services or teach preclinical or clinical medicine. (See question 14.)

Part Time Instructional Faculty: Those faculty members who do not work full time at this institution. Do not include faculty, administrators, or others who actually work full time at this institution, but teach only part time.

Full Time Administrators: Chief administrative officers who devote one half or more of their time to administrative duties. This group includes, but is not limited to the president, chief business officer, chief academic officer, deans of various schools or departments, director of admissions, director of financial aid, etc.

Part Time Administrators: Chief Administrative officers who do not work full time. Do not include faculty, administrators, or others who actually work full time at this institution, but have administrative duties only part time. This group includes, but is not limited to the president, chief business officer, chief academic officer, deans of various schools or departments, director of admissions, director of financial aid, etc.

Clerical and Other Nonacademic Staff: Include office and clerical employees, crafts/trades employees, service employees (such as custodians, security guards, food service workers, etc.), and technical employees (mechanical or industrial arts). Report staff only if they are not exempt from provisions of the Fair Labor Standards Act.

Fringe Benefits: Expenditures should include: retirement plans, hospitalization, surgical, and medical plans, guaranteed disability income protection, tuition plans, social security taxes, unemployment compensation taxes, group life insurance, benefits in kind, and other benefits.

1. Number of full time instructional faculty.

Faculty on 9-10 month salary contracts.	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
professors	38						
associate professors	39						
assistant professors	40						
instructors, all others	41						
TOTAL (lines 38+39+40+41)	42						
Faculty on 11-12 month salary contracts.							
professors	43						
associate professors	44						
assistant professors	45						
instructors, all others	46						
TOTAL (lines 43+44+45+46)	47						

2. Number of part time instructional faculty

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
	48						

3. Complete the following statement so that it is an accurate estimate for your institution for the purpose of approximating full time equivalent faculty (FTE).

"_____ part time faculty = 1 full time equivalent (FTE)"

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
4. Number of full time administrators. (FLSA* exempt.)	49						
5. Number of part time administrators. (FLSA* exempt.)	50						

	Line No.	Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
6. Number of clerical and other nonacademic staff.	51						

*Fair Labor Standards Act
(This act made provisions for specific benefits for employees, such as overtime pay. Administrators who are not covered by the act are FLSA exempt.)

7. Average (mean) full time faculty salaries ($ per year) (do not include fringe benefits).

	Line No.	70-71	71-72	72-73	73-74	74-75	75-76
Faculty on 9-10 month salary contracts.							
professors	52						
associate professors	53						
assistant professors	54						
instructors, all others	55						
Faculty on 11-12 month salary contracts.							
professors	56						
associate professors	57						
assistant professors	58						
instructors, all others	59						

8. Expenditures for full time faculty fringe benefits ($).

Faculty on 9-10 month salary contracts.							
professors	60						
associate professors	61						
assistant professors	62						
instructors, all others	63						
Faculty on 11-12 month salary contracts.							
professors	64						
associate professors	65						
assistant professors	66						
instructors, all others	67						

9. Number of full time faculty who left during or at the end of the academic year (retirements, deaths, resignations, dismissals, etc.).

	68						

Line No.		70-71	71-72	72-73	73-74	74-75	75-76
69	10. Number of full time faculty appointed to begin service at the beginning of or during the academic year.						
70	11. Number of full time faculty with tenure.						
71	12. Number of full time faculty on paid leave. (Do not include those on leave due to illness.)						
72	13. Number of faculty holding earned doctorates. full time						
73	part time						

Line No.		Fall 1970	Fall 1971	Fall 1972	Fall 1973	Fall 1974	Fall 1975
74	14. Number of faculty excluded from questions 1 through 13 because: -they contribute their services						
75	-teach preclinical or clinical medicine						
76	-other, specify _____						

SURVEY FOR THE STUDY OF THE
FINANCIAL CONDITION OF INDEPENDENT
POSTSECONDARY INSTITUTIONS
IN CALIFORNIA

SECTION III: GENERAL EVALUATION

To be reported by the Chief Executive Officer.

This section of the survey requests written responses to questions regarding changes in the financial and academic status of this institution.

Questions concerning this survey should be directed to Dr. Bruce Hamlett at CPEC, phone (916) 443-7933.

PLEASE RETURN TO:

California Postsecondary Education Commission
1020 12th Street
Sacramento, California 95814

DUE DATE: _____

Name of institution:

Address:

Name of respondent:

Title of respondent:

Telephone (area code, local number, extension):

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1. What is your assessment of recent specific trends in the condition of your institution?

	Gaining Ground 1	Holding Our Own 2	Losing Ground 3	Don't Know 4	
(a) Morale or esprit de corps of					
(1) Students	( )	( )	( )	( )	5
(2) Faculty	( )	( )	( )	( )	6
(3) Staff	( )	( )	( )	( )	7
(b) General sense of community or collegiality of the whole institution	( )	( )	( )	( )	8
(c) Ability of institution to hold faculty and attract new faculty	( )	( )	( )	( )	9
(d) Ability of the institution to compete for students	( )	( )	( )	( )	10
(e) Retention of students once admitted	( )	( )	( )	( )	11
(f) Qualifications in ability and preparation of students admitted	( )	( )	( )	( )	12
(g) Quality of instruction offered	( )	( )	( )	( )	13
(h) Capacity for educational innovation	( )	( )	( )	( )	14
(i) Capacity of the institution for self-renewal and adjustment to changing conditions	( )	( )	( )	( )	15

	Gaining Ground 1	Holding Our Own 2	Losing Ground 3	Don't Know 4	
(j) Role of alumni					
(1) Active interest	( )	( )	( )	( )	16
(2) Financial contributions	( )	( )	( )	( )	17
(k) Capacity to hold the interest of strong trustees and to attract new ones	( )	( )	( )	( )	18
(l) Institutional autonomy or capacity for inner direction	( )	( )	( )	( )	19
(m) The distinctiveness of the institution					
(1) relative to publicly sponsored institutions	( )	( )	( )	( )	20
(2) relative to other privately sponsored institutions	( )	( )	( )	( )	21

2. What is your assessment of recent general trends in the condition of your institution?

	Gaining Ground 1	Holding Our Own 2	Losing Ground 3	Don't Know 4	
(a) Financially	( )	( )	( )	( )	22
(b) Academically	( )	( )	( )	( )	23
(c) Student Services	( )	( )	( )	( )	24
(d) Facilities and equipment	( )	( )	( )	( )	25
(e) The general environment for students	( )	( )	( )	( )	26
(f) Public service activities	( )	( )	( )	( )	27

Comment if you wish.

3. How do you view the outlook for your institution over the next five years?

Will improve substantially	( )	1
Will improve a little	( )	2
No change	( )	3
Will slip a bit	( )	4
Will deteriorate seriously	( )	5

28

Comment if you wish.

4. In the last five years what areas have been affected most critically by financial restrictions? (For example, specific degree programs, research, community services, maintenance, facility expansion, etc.) Please explain.

5. In the last five years what have been the most critical fiscal problems encountered by this institution? Please explain.

6. Please describe and comment on actions this institution has taken in response to restricted budgets. (For example, hiring of part time faculty rather than full time faculty, restrictions on the granting of tenure, salary changes, tuition and fees adjustments, changes in student services, changes in admission criteria, fund raising drives, etc.)

7. In the last five years has this institution initiated any new programs or expanded existing programs? Were these new programs or expansions made possible by special funding? If so, what was the source of the special funding? Please explain.

8. In the last five years has this institution expanded its facilities? Was this expansion made possible by special funding? If so, what was the source of the special funding? Please explain.

9. Please make additional comments that may be pertinent to an analysis of the financial condition of this institution or to the study in general. Please comment on any changes that have occurred in the educational mission or emphasis of this institution.